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*Land and Agrarian Reform
in South Africa:
land ownership, land
markets and the state.*

*Helena Dolny, B.Sc.(Hons) Agricultural
Economics*

Submitted for Examination for Ph.D.

Open University

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Abstract

This thesis deals with the role of land markets in the redistribution of land and agrarian reform in South Africa, a capitalist economy which is uniquely marked by the legacy of institutionalised racism and in which the land question is intimately bound up with both reparation and liberation.

The first chapters provide the political, historical, and theoretical context. I examine the evolution of diverse, racially separated tenure systems, some marketable, others not. I review Classical, Marxist, and neo-classical theory of land and rents and methods of calculating the productive value which may diverge from the market price of land. A comparison of international compensation practice in land reforms separates the issue of price to the outgoing land owner from that of affordability to the beneficiaries.

An analysis of agricultural restructuring and class stratification in white commercial farming and the black rural areas draws attention to the influential role of the state. A lack of economic or ecological sustainability is evident. A discussion of scale and productivity concludes that there are widely differing production functions affected by racial access to capital and skills and also by the communal inheritance of land use. It is impossible to identify an average rate of profit as pertains in neoclassical discussions on land prices. The commercial land market is unstable and influenced by the political climate as well as fiscal policies.

I conclude that effective land redistribution depends on the strength of political organisation. The state's role is to facilitate an enduring process of land reform through a conducive legal and economic framework. This must accommodate various categories of beneficiaries providing differing conditions of access. Neither a unitary free land market nor its opposite, nationalisation, can respond effectively to redistributive demands and social needs. Diverse land ownership systems should continue in parallel: a non-marketable component for the marginalised, conditional subsidised access to marketable land and the "open" market for entrepreneurs would continue with measures to promote redistribution. Tenure flexibility responds to social demands and can enhance land use; new forms which promote democratic management should be promoted. While petty commodity producers can improve their productive base through cooperation these will not succeed without democratic management and state support.

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I want to generally thank many people who helped, who did so not just on a personal basis but because they hoped that the PhD would contribute to progressive debate.

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Contents

Abstract *i*

Acknowledgements *ii*

Contents *iii*

List of Tables *v*

List of Figures *vi*

Abbreviations *vii*

Preface *viii*

Chapter 1. Land redistribution; the value conundrum and political divergence. pl.

- 1.1. Legal frameworks, compensation and valuation.p3.
- 1.2. Conflicts of Interest: the Political Debate. pl8.

Chapter 2. Agricultural Land Valuation: Theory, Methods and Debate. p44.

- 2.1. Rent Theory: main elements in different concepts of rent. p45.
- 2.2. Neoclassical Methods of Agricultural Land Valuation.p70.

Chapter 3. The Racial Division of Land and Conditions of Tenure.p86.

- 3.1. Pre Colonial Land Use. p86.
- 3.2. Colonial Conquest and the imposition of new tenure systems. p95
- 3.3. The African struggle to retain access to land. p99
- 3.4. Land Access and Conditions of Tenure in Bantustans. pl07
- 3.5. Conclusion. pl18.

Chapter 4. White commercial farming: state intervention, technological change and stratification after 1948. pl20.

- 4.1. State support up to 1948. pl20
- 4.2. 1960s: Evaluation of the Status Quo. pl25
- 4.3. 1970s: Centralisation achieved. pl28
- 4.4. Modernisation and State Intervention. pl38
- 4.5. Deregulation and Increasing Stratification. pl48

Chapter 5. Class Formation among Blacks in South Africa's Rural Areas. pl64.

- 5.1. Differing historical approaches to analysis of rural areas. pl65
- 5.2. The demise of the peasantry. p.169
- 5.3. Migrancy, employment, land use and income sources.pl73
- 5.4. Defining rural producers: the contemporary debate. pl83
- 5.5. Divergent approaches to South African Rural Class Analysis. pl87
- 5.6. A proposal for an alternative analytical methodology. pl91

Chapter 6. Differentiation, Scale and Productivity. p200.

- 6.1. The debate over productivity in relation to land reform. p201
- 6.2. The economic superiority of large scale farming. p203
- 6.3. Productivity on "small scale" production units. p209
- 6.4. Land reform, political demands and forms of production. p218
- 6.5. Agriculture and Economic Strategy

Chapter 7. Productivity, Profitability and Land Prices. p224.

- 7.1. Changes in land prices 1968-1990: nominal, real and by sector. p225
- 7.2. The debate over productivity valuation and market price. p237
- 7.3. South Africa's neoclassical debate over land prices. p.241
- 7.4. The Land market and implications for land redistribution p.246
- 7.5 Examining the proposal of subsidised access.p247

**Chapter 8. The case for land redistribution and agrarian reform:
a development strategy supported by state intervention. p255.**

- 8.1. Legislation and taxation policies to favour land redistribution.
p.256
- 8.2. Diverse beneficiaries: tenure and marketability. p.260

Appendix. Strategising for Transformation: A Simulation Exercise. p271

References p284

Tables

- 3.1 Racial land distribution. p.109
- 3.2 African population and access to land in the 'homelands'. p.109

- 4.1 Farm units and land utilisation. p.129
- 4.2 Number and area of farm according to size groups.p137
- 4.3 Productivity and farm size p.139
- 4.4 Volume of agricultural production 1955-1985. p.141
- 4.5 Comparative indices: terms of trade, producer prices, farming requisites, consumer price index and the volume of agricultural production. p.145
- 4.6 Maize production: time series data. p.150
- 4.7 Credit conditions and monetary information. p.152
- 4.8 Government subsidies and rebates. p.154
- 4.9 Volume of machinery and equipment purchase per year. p.157

- 5.1 Regional analysis of black out-migration from the white rural areas 1980-1985. p.173
- 5.2 Agricultural wage income of black people on white farms 1970-1987. p.175
- 5.3 Comparative sectoral increases in real wages 1972-83. p.175
- 5.4 The composition of rural cash income.p.181
- 5.5 Composition of total annual household income by income group. p.183
- 5.6 Class analysis: common data and divergent interpretation p.189

- 6.1 The relationship between output, land utilisation, employment and farm size on settlement schemes, 1967/68 season. p.212
- 6.2 A comparison of farm-size, yields and labour productivity. p.214

- 7.1 Nominal land prices 1968-91. p.226
- 7.2 Indices of land prices according to agronomic region. p.228
- 7.3 Farm data according to administrative region.
- 7.4 RSA and Transvaal land prices in nominal and real terms. p.232

Figures

- 4.1 Number of farms by year. p.130
- 4.2 Farm units and land use by year p.131
- 4.3 Average farmsize by year p.132
- 4.4 Average farmsize (log x) 1964-1987 p.133
- 4.5 Land cultivated by year. p.134
- 4.6a Number of farms by year p.135
- 4.6b Land in Use p.135
- 4.6c Land cultivated by year. p.136
- 4.7 Labour productivity by farmsize (scatterplot) p.139
- 4.8 Maize production: time series data. p.151
- 4.9 Maize Production: smoothed time series data. p.151
- 4.10 Volume of machinery and equipment purchase by year.p.158
- 4.11 Maize harvest and machine purchase by year. p.158
- 7.1 RSA Nominal land price: Rand per hectare average. p.227
- 7.2 RSA land: nominal and real terms. p.233
- 7.3 RSA Real land prices -smoothed.p.233
- 7.4 Changes in the market and productive values of land. p.238

Abbreviations

kg. = kilogram
ha. = hectare
mil. = million
R = rand

RSA Republic of South Africa
ANC African National Congress
DBSA Development Bank of Southern Africa

Glossary

'black' is often used to refer to "non-whites", people of colour who suffer racial oppression. The current popular use of "black" in South Africa more generally refers to those black South Africans who descend from the continent's indigenous people and who are the most oppressed victims of institutionalised apartheid

'platteland' is the name given to white commercial farming areas, particularly those highveld area where more Afrikaner people live. The term carries a somewhat derogatory connotation of white tribalism and parochialism.

Conversion

morgen - a unit of area measurement. A morgen is 2.116 hectares.

Preface

South Africa is the last of the southern African countries to proceed towards gaining franchise for the black majority. In the neighbouring states formal independence was followed by the installation of new black governments. Many freedom fighters expected that redistribution of lands appropriated by the colonisers would be carried out by the new state. Nationalisation and repossession is a symbolic undertaking for many for whom it represents the kernel of political power and nationhood.

Neighbouring states have pursued different strategies. Zambia nationalised land as a natural resource but provided for the marketable transfer of land improvements. Mozambique nationalised land and in the first years following its independence began to implement a development strategy which aimed to socialise agriculture; former colonial enterprises would become state farms and production cooperatives would provide peasants with the opportunity to operate on a different level of scale and technology and achieve a higher standard of living. In Zimbabwe the capitalist farming sector remains in place; some black entrepreneurs have joined the previously white-only sector. The government has also purchased land as it has come up for sale in order to implement settlement schemes. Beneficiaries enjoy usufruct rights to the land. The resettlement schemes were initially a means of widening the resource base available to targeted poor producers from the former tribal trust areas.

The South African debate on what is to be done is wide-ranging. For some all that is needed is the abolition of apartheid laws, thus ending institutionalised racial discrimination. Others regard land redistribution as unnecessary because for them the real issue is the urbanisation of migrants who were forced to maintain rural homesteads. In a similar vein it is sometimes argued that land dispossession and proletarianisation have historically proceeded to the point where there is no substantial peasantry and that land redistribution to the unskilled landless is expensive and backward looking. For others the prime concern is to correct past injustice; those who, within living memory, have been wrongfully dispossessed or removed by the apartheid state should have recourse to a land claims court to regain their land or equivalent land. For yet another group land redistribution is socially desirable as long as the beneficiaries are entrepreneurs who can pay for the land albeit at subsidised prices.

Widening access to land through increasing black tenancy is another market-based proposal designed to promote economic efficiency as producers will have to produce enough to pay rentals or lose their access.

My own rationale for supporting far-reaching land redistribution and agrarian reform is based on my perspective on overall macro-economic development strategy. Rural disintegration is a fact in South Africa. The rural population lives off wages to buy food; they do not produce it. Urban employment dynamics are, therefore, the determining factor in both urban and rural poverty. And yet I do not anticipate that increased urbanisation and employment can proceed with sufficient pace to absorb rural migrants. Moreover many migrants have invested considerable life savings in housing investments in rural areas. My expectation is that innumerable families with an insecure foothold into the urban economy will, as a survival strategy, choose to continue straddling the urban-rural nexus that has been termed oscillating migration.

But the resource base of black South African rural communities at present is extremely weak. Land availability is minimal and the supply of natural resources essential to communities is precarious -hence communities are neither economically nor ecologically sustainable. Commercial farming is similarly problematic for a strata of several thousand white commercial farmers whose inappropriate farming technology jeopardises their sustainability and who face bankruptcy.

Economic policy choices offer various destinies for people as a reshaping of the agricultural economy takes place. Rural migration may proceed unabated but the expanding (through demographic growth) marginalised communities will require social welfare expenditure creamed off from surpluses gained through a urban manufacturing growth path. Alternatively the state can choose a different character for its growth strategy in which rural communities participate in and contribute to a macro-economic growth path. Rural demand for manufactured producer goods and consumer durables could enhance the growth strategy. A labour absorption strategy in agriculture which leads to more jobs or more self-employment could lead to increased on-farm food production and consumption. This could reduce the demand for total marketed produce but, more importantly, reduce the current and growing burden of those unemployed who depend on waged members of their extended families for

their survival. A pursuit of a growth strategy of this type requires a state-induced agrarian reform which embraces both white commercial agriculture and the black rural areas. Reform would include land redistribution, technological innovation, new cropping and livestock production patterns, and the institutional support for providing credit and training. Moreover the diverse inheritance, whether of strata of producers or landless rural people as well as tenure forms, demands a flexible land and agrarian reform approach.

While this macro-economic perspective provides the context and informs my rationale for land redistribution and agrarian reform it is not the main focus of this thesis. My concern is more specifically with widening the resource base through increasing access to additional land as well as the conditions of future land transferability. I review the role played by the state in creating conditions and supporting the establishment of white commercial farmers many of whom were originally penniless immigrants. I examine changes in their organisation of production; scale, technology and organisation of production and land prices. I similarly examine stratification and organisation of production, or lack of it, among black rural households. Finally I explore what should be the conditions of tenure, access price and conditions of future marketability for beneficiaries of land redistribution.

The original objective of this research was to concentrate on the economics of agricultural production and examine the notion of a "fair land price" in relation to land redistribution strategy. This was motivated by the retrospective debate on Zimbabwe's Lancaster House agreement in which the liberation movement conceded that land acquisition for redistribution would be purchased by government on a willing seller/willing buyer basis. Many felt that Rhodesian landowners had always enjoyed the fruits of their gross exploitation of black workers and that they should not be compensated. It was also argued that land values did not reflect productivity value. The perception therefore took root that Zimbabwe's new government would overpay white farmers.

My inclination was to favour nationalisation of land - not only as an essential pre-condition to socialisation - but because it did not seem feasible to effect land redistribution in a market situation in which the intended beneficiaries have no capital and will tend to consume produce rather than

market it to pay off a land mortgage. Hence the productivity assessment of commercial farmland was aligned to a conception of "fair" compensation if the prevailing balance of forces indicated that compensation payments would be made. My land redistribution scheme, envisaged at this early stage of thesis research, included the abolition of the land market. The state would then purchase land at a price in accordance with its productivity valuation and then avail it to beneficiaries on the basis of inheritable state leaseholds. Beneficiaries would then voluntarily socialise their production as and when ready. This perspective was informed by my field experience in Mozambique as well as the debates over socialisation of production in contrast to nationalised enterprises in which the element of democratic participatory management is lacking.

I abandoned this approach for a number of reasons. Critics pointed out that the scheme would require an extensive, expensive bureaucracy. Moreover gaining access to land through bureaucratic procedure was conducive to bribery and corruption. I concluded that it would be better to examine how visible market transactions might be controlled rather than abolishing the market.

But to achieve redistribution and social transformation in South Africa within a market economy poses a number of other problems. The average price of land in the white commercial farming sector has been double its average assessed productive value for decades: hence many producers acquiring additional land are unable to pay for it out of the income from that land. The land is paid for from other sources generated from the rest of the farming activity or of non agricultural origin.

Sweden's practice seemed to supply a possible positive alternative; county land boards assess the proposed transfer price between seller and buyer with regard to the productivity assessment of the land and an economic assessment of the buyer. The average norm of production on a particular category of land will generate an average income from which bond repayments are to be made. The linkage -average production-income-repayment capacity provides the basis of the land valuation/ land price assessment. Zimbabwe used a different strategy to bypass any difficulties arising out of the divergence between productivity value and purchase price in relation to its land redistribution beneficiaries; she simply continued a dual system of communal tenure and privately titled marketable land.

In South Africa, partly as a riposte to institutionalised racism - a unitary approach appears politically desirable: a unitary tenure system and a unitary land market. Hence I arrived at a midstream intention to focus primarily on the economics of agriculture and land valuation as the basis on which to discuss approaches to, and conditions of, land valuation, marketability and redistribution within a unitary system. This proved to be too narrow.

An understanding of the diverse theoretical approaches to land economics had to be complemented with a historical review of the evolution of tenure towards current day practice. Were the informal "illegal" markets so advanced that freehold titling would be a mere formality as a prelude to a unitary but regulated land market? What were the social attitudes towards tenure among black rural communities?

Another essential component is an examination of stratification of production among white entrepreneurs and the influence of class differentiation on the organisation of production (or lack of it) among the black rural population. How applicable was the idea of a unitary regulated market? In Sweden it might be possible to discuss the notion of an average social norm of production among farming enterprises, but in South Africa institutionalised racism has affected the conditions and organisation of production and denies the possible existence of or approximation to any average social norm of production.

The research aims to integrate an analysis of social and economic conditions and contribute to a debate on rural redistribution in a market economy with a black rural populace whose lives are dominated by migrancy and urban-rural interlinkages. For many black rural dwellers the abandonment of calls for nationalisation is interpreted as a betrayal of their aspirations. Other "freedom fighters" are reeling from the collapse of the socialist bloc and espousing free market capitalism with some "affirmative action" as the only efficient development route. I hope that this research contributes to furthering the exploration of the alternative- a committed redistributive approach within a market economy. The ability of state policy to influence the changing character and economic conditions faced by producers is a continuous and underlying sub-theme throughout the thesis; hopefully a new democratic state can intervene to achieve rather different social and economic objectives than those pursued and attained by the apartheid state.

Chapter One. Land Redistribution: the value conundrum and political divergence.

Anticipation of land redistribution generally reflects a changing balance of power and is basically a political issue. Land reforms, in favour of the landless and poor, take place as a result of (or fear of) popular struggle leading to active state intervention. The view that "radical land reforms are contrary to natural justice and unconstitutional" only holds for as long as a particular set of power relations are in place. For power relations in any country are "dependent on the specific histories and the development of particular legal systems." As a result specific property rules remain applicable for as long as there is a certain status quo in power relations.¹

A review of land reform practice indicates that there is little chance of effective land redistribution unless a well organised rural population working with democratised local government structures exerts its claims either for land or improved working conditions and wages.² Popular struggle can be assisted through policy design and legal facilitation which are in keeping with long term objectives. The first section elaborates comparative practices for land acquisition and compensation (1.i.) in sub-Saharan Africa and (1.ii) elsewhere. Section (1.iii.) links the issue of just compensation with that of land valuation and affordability.

The entire discussion is circumscribed by an acceptance of the continued marketability of land and payment of compensation. I do not review experiences where the state opted to nationalise land (with or without compensation) and to abolish the land market. I exclude this experience because none of the major South African political actors contemplates this option as a possibility in the foreseeable future. Although the African National Congress, the major force of South Africa's liberation movement, has reserved for itself the right to nationalise productive assets in the public interest it is unlikely that a wholesale nationalisation of agricultural land would occur. For example the ANC's draft of a justiciable Bill of Rights for a democratic South Africa makes provision for the protection of property. (Article 11) While

¹ Harrison, F. 1983, p14.

² Brazilian laws are favourable to land redistribution. However it is the bourgeoisie which has been most organised to gain the greatest advantage from these laws, rather than the nominally intended beneficiaries -the poor, landless, marginalised.

property may be taken on "grounds of public interest or public utility, including the objectives of the Constitution" articles 11(8) and 11(9) provide that just compensation shall be paid, "taking into account the need to establish an equitable balance between the public interest and the interest of those affected."³

I devote the second section of this chapter to a review of the differences between the major political contestants in the South African Land Reform debate. The ANC, for example, does not expect to be able to achieve an effective reversal of apartheid legacy without intervening in the free market situation. One of its primary concerns is to explore what legal framework and economic mechanisms a new state will be able to use to facilitate a land distribution and agrarian reform. Meanwhile the Nationalist Party Government is using its swansong period of government to pass bills entrenching white interests. The 1991 White Paper on Land Reform, while proposing that all racial restrictions on access to land and ownership should be abolished, also proposes that there be no restoration of land to victims of forced removals and has recently sold off land it has held in trust for decades.

In South Africa the property status of land in the new constitution will be the result of political negotiation. The outgoing white government wants land to have the same status as any other property and that constitutional dispensation should permit the redistribution of land whether by confiscation, nationalisation or expropriation. The ANC draft Bill of Rights provides for restitution and for land redistribution with "just compensation which shall be determined according to the principle of equitable balance between public interest and the interest of those whose existing titles might be affected."⁴

The issue of access to land, (i.e.. affordable land) is very real to the majority of South Africans. Disparity among the politicians representing different class interests is a further reality. This chapter is a prelude to a deeper exploration of South Africa's apartheid inheritance and the possibilities and constraints on transformation in the agrarian economy.

³ ANC, 1990c, p24

⁴ ANC (1990c) Draft Bill of Rights, p.29.Article 11, The Economy, Land and Property.

1.1. The legal frameworks: compensation and valuation.

1.1.(i) Constitutional Reform and Land re-acquisition and compensation practices in some British ex-colonies of sub-Saharan Africa.

The Sub Saharan countries which gained independence from Britain in the post war period have only tackled the issue of regaining settler lands. Land as a means to a livelihood for the landless unemployed is a more recent issue. Hunt⁵, writing on Kenya describes 'The Emerging Crisis in Kenya: the Need for a Second Land Reform.'

Furthermore, the independence processes of these sub-Saharan African states did not provide for compensation demands of dispossessed individuals and communities which is likely to occur in South Africa. Thus, the special conditions for re-appropriation of settler lands provided for in the various constitutions give only a limited comparison for South Africa.

There have been land expropriation laws in the post colonial era of four central and southern African countries: Botswana, Kenya, Malawi and Zambia.⁶ Ng'ong'ola notes that, 'in spite of the pre-eminence of the 'land issue', independence was in almost every case secured on terms requiring severe compromises on land redistribution. The British Government was able to impose legal and constitutional constraints on post colonial re-acquisition and redistribution of "settler land".⁷

The European Convention on Human Rights provided a model for Bills of Right in British Colonial Africa beginning with Nigeria in 1959/60. 'Fundamental rights and freedoms include rights to life, personal liberty and privacy, protection from slavery, forced labour, discrimination, protection against arbitrary search or entry and the freedoms of conscience, assembly, expression, association and religion. The constraints on land re-aquisition by the newly independent states was defined as the 'protection from deprivation of

⁵ Hunt, D. 1984.

⁶ See Ng'ong'ola, C. 1990 for a comprehensive review.

⁷ *ibid.*

property clause.⁸; property was understood as all kinds of property and land was not attributed any exceptional status.

Thus the 1963 Kenyan bill of rights provided that "No property of any description shall be compulsorily taken possession of except if certain conditions were to be satisfied: that the taking is necessary to the public interest and justifies any ensuing hardship. 'Prompt payment of full compensation' free of taxes with guaranteed repatriation rights was a second condition. And finally the expropriatee was ensured access, if necessary, to the high court to deal with any disputes arising.⁹

There was little variation in the subsequent bills of right in the regions' other newly independent countries. The rights of foreigners to convert assets into transferable currency to be exported out of the country (found in the Kenya, Botswana, Malawi and Swaziland constitutions) reflected the expatriate nature of property ownership and control. Occasionally the formula on compensation provided for 'adequate' rather than 'full' compensation. 'Adequate compensation', as exemplified by Botswana's legislation, may take into account a number of factors: the market value of the property at the date of notice of acquisition as if it were a transaction between a willing buyer and willing seller, the change in value to any adjoining property as a result of the new use of the acquired land, damages sustained by the severance of land, expenses incidental to any change of premises forced upon the expropriatee as a result of acquisition, loss of rents and profits from the date of possession to the date of award of compensation. Prompt compensation payment is considered as payment on registration of the conveyance of title.

Only Tanzania succeeded in resisting the imposition of a Bill of Rights during the independence process. The fact that they did not have a large settler land problem obviously facilitated this success. Nyrere's line of argument was that a bill of rights creates in advance the judicial limitations which may be in conflict with policies chosen by the electorate. For instance, it was noted that Tanzania's dynamic plans for economic development could not be implemented without revolutionary changes in the social structure; that decisions concerning the extent which individual rights must give way to wider

⁸ ibid p2 citing J.S.Read, 'Bills of Right in "The Third World.", Some Commonwealth Experiences, (1973) *Verfassung Und Recht in Uebersee*, pp23-24.

⁹ ibid, p4.

considerations of social progress are not properly judicial decisions but political decisions.¹⁰

The first constitutional reform of most African states deleted the provisions for the repatriation of compensation. As Ng'ong'ola observes, 'It is difficult to justify the retention of the repatriation provision in an independent country concerned with the localisation of property ownership as well as problems of financial viability.'¹¹

Zambia quite quickly effected significant revisions to its inherited constitutional constraints. The government right to compulsory acquisition of property in the public interest was generally understood as referring to 'defence, public safety, public order, public morality, public health, town and country planning, mineral resources development and the development and utilisation of property generally for the public benefit.' The Zambian constitutional reform afforded the government the right to acquire, take possession of 'abandoned, unoccupied, unutilised or undeveloped land and the forfeiture or confiscation of property of any person who left Zambia for the purpose of defeating the ends of justice;¹² and acquisition..... for the implementation of a comprehensive land policy.' Furthermore an Act of parliament would spell out the principles on which compensation is to be determined by the National Assembly whose decision was to be incontestable.

The changes in Zambian constitutional law were motivated by the negative economic consequences of acquisition taking place under the constraints of the inherited constitutional law.¹³ In both Malawi and Zambia the constitutional changes went hand-in-hand with substantial revisions to land acquisition legislation. The revisions created new principles to be used for the assessment of compensation in order to lower the costs of land acquisition. The revised Malawian Act stipulated that an assessment of compensation should be arrived at by adding together (a) the consideration which the person entitled to the land paid in acquiring it; (b) the value of unexhausted

¹⁰ *ibid.* citing Read, J.S, 1973 pp29-30 based on the "Report of the Presidential Commission on the Establishment of a Democratic One Party State" (Dar Es Salaam, Government Printer, 1965, pp30-33.

¹¹ *ibid.* citing Read, p6.

¹² This would affect Zambian political exiles.

¹³ Ng'ong'ola citing G. Care, 'Zambia' in Rubin and Cotran (eds.) Annual Survey of African Law. Vol III, 1969, (London 1973) p.160

improvements to the land made at the expense of the person entitled thereto since the date of his acquisition and (c) any other appreciation in the value of the land since the date of such acquisition.' But the last provision would not apply to absentee owners or if there has been a failure 'to develop the land, cultivate it or supervise it satisfactorily.' Furthermore if the land had been acquired as a gift or by inheritance, the assessment of compensation would be on the basis of previous financial acquisition of the land plus the value of unexhausted improvements carried out after that date.

A further retreat from the exigency of so called 'adequate' and 'prompt payment' of money compensation has been made in Malawi, by a law which provides that the Minister 'may in his discretion, direct that any compensation . . . be paid either in one lump sum; or (b) in such instalments, at such times, and at such rates of interest on outstanding balances as he may specify.'¹⁴

The modifications to Zambian law are of a similar intent to the Malawian changes. However they are more far-reaching in relation to under-developed land and absentee ownership. 'No compensation is payable in respect to undeveloped or unutilised land.' Rural agricultural land will be considered as undeveloped if 'such land has not been used for cultivation or pasturage . . . at any time during the period of two years immediately preceding the publication of the notice to yield up possession. Undeveloped may also be taken to mean that 'the exploitation of the land is not in accordance with good estate management.'

Ng'ong'ola notes that the legislation on these key concepts fails in its precision and is wide open to potential litigation and conflict. He commends however, the basic principle underlying the reforms, i.e. 'that compensation on the basis of market value should not be available for under-developed land...especially for independent African countries confronted with the so-called 'settler-land' problem.'¹⁵

However, whatever the new strictures may be on land valuation away from the marketplace, it is important to take note that the market for 'improved' land or so called 'land improvements' wholly and fulsomely exists and as such replicates capital's normal barriers to entry of ownership of

¹⁴ Ng'ong'ola, p19.

¹⁵ *ibid* p21.

commercial agricultural land. Zambian businesses entering the commercial agricultural sector of the economy will find they require substantial capital to purchase the 'land improvements' ; the absence of value attributable to virgin land is of negligible importance.

There has been some progress in post colonial African countries in their attempts to revise inherited constitutional restrictions. The intention was to lower the cost to the state of land acquisition. Even so these revisions are fairly unsubstantial when compared to Latin American or Asian experience of land acquisition and compensation.

1.1.(ii). Land Acquisition and compensation practices: some non-African post World War II experiences.

Japan's first post war land reform bill was drafted in late 1945 under General Douglas MacArthur. The Diet (legislature) came up with a revised bill passed in 1946 which took four years to implement. All farm lands were subject to compulsory acquisition by the government allowing only a retention limit, for resident landowners only, of 12 cho (about 12 hectares) in the region of Hokkaido and 3 cho for the rest of Japan. Absentee landlords were not allowed to retain any land. By 1950 over 1.9 million hectares (80% of all tenanted lands) had been sold.

Land price was computed on the basis of farm earnings in yen in 1945 and fixed for the four years of implementation irrespective of inflation. The beneficiaries paid as much as the government paid the landlords. This worked out to only 2.5% of the estimated 'free market' value.

The military government in South Korea began to implement a land reform programme in 1948. They feared popular support for communism and used land reform as part of their strategy to draw away support from and pre-empt communist insurgency. The military government, in 1948, confiscated 504 900 hectares of rice land and 153 100 hectares of dry cropland. They offered these lands for sale on the basis of 15 years of amortizations to be paid in kind (rice).

In 1949 a new 'Land Reform Law of the Public of Korea' was drafted, adopted in 1950 and almost completely implemented by February 1952. The law

allowed the government to purchase all agricultural lands larger than three hectares. The government bought the land at 1.5 times the average annual harvest of the main crop but compensation also included payments for land reclamation, drainage and other improvements.

The government offered the land for sale to tenants at the same price it had paid to the landowner with payments to be made within five years. This offer was not economically viable for most of the tenants. Poor support services to the peasantry contributed to the situation in which the income remaining after meeting production costs and household income needs proved insufficient. Ex-tenants who attempted to buy land either could not make the payments or resorted to selling a part of their land in order to retain a smaller portion. The people found that the land reform did not in the end meet the expectations based on government's past promises.¹⁶

The Taiwanese land reform is generally regarded as a success story in terms of making land available and achieving productivity increases. The land reform was carried out in phases over several years. The first reform steps taken in 1959 dealt with lowering the rents paid by peasants to landlords. The prevailing rent payment of 50% of the standing harvest was set at a limit of 37.5%. The next reform steps, undertaken in 1951, allowed tenants on government owned land to buy it. The price was 250% of the average yearly harvest. Over ten years, 96% per cent of government lands, some 96 000 hectares, were privatised in this way. The last phase was the government's compulsory purchase of land from landlords to be resold to tenants. Landlords had the right to retain ownership of as much land as they were actually tilling through (untenanted) family labour, or a maximum retention limit of three to six chia (One chia is approximately one hectare) depending on the land quality. Exceptions were made for religious institutions; they were allowed double the normal retention limit.

The land valuation for the government's compulsory purchase was at 250% of the average main crop. The payment to outgoing landlords was in the form of (a) land bonds equal to seventy per cent of the value and (b) shares of stock in government controlled corporations (thirty per cent). The ex-tenants repaid the government for their purchase of the land at the same landlords'

¹⁶ Phillipine Peasant Institute, 1989, p3.

price to be paid in 20 equal annual installments but with the addition of a 4% interest rate. In terms of scale the reform programme resulted in 106 049 landlords being forced to sell a portion of their land. As a result the ownership of land by actual tillers was raised from the 1949 level of 380 936 farm families owning land (61%) to 687 642 farm owning families in 1961 (81%). The agrarian reform programme was supported with expanded extension services and considerable subsidies.

In contrast Philippine land reform has been far from successful. There have been several reform attempts in 1946, 1955, 1963, 1971, 1972. Reforms are still ongoing and are the subject of bitter contest. The 1946 Tenant Rice Share Law limited rent to not more than thirty percent of the crop. The 1955 Land Reform Act (R.A. 1400) established a Land Tenure Administration empowered to confiscate and distribute tenanted lands. But retention limits were set at 300 hectares for individuals, 600 hectares for corporate owned estates. Furthermore, the law required that compulsory acquisition should only take place on petition of the majority of the tenants. Landlord intimidation of the peasantry and the latter's fear of eviction, combined with a lack of government funds, resulted in the purchase and distribution of only 41 of 300 haciendas in seven years. The 1963 reform (R.A. 3844) set the rent limits at 25% of the crop and retention limits to landlords of 75 hectares for both individual and corporate land owners. But after nine years only 4 500 farmers actually received any land.¹⁷

Under the Marcos government land reform took on a Machiavellian character. On the one hand, the land reform programme appeared to take some progressive steps. A law amendment to R.A.3844 automatically converted sharecropping arrangements to leasehold and lowered the retention limit to 24 hectares. In 1972 the Tenants Emancipation Act (P.D.27) ordered the distribution of tenanted rice and corn lands. However these changes to the reform laws proved cosmetic and failed to lead to any real structural changes. The law dealing only with rice and corn lands exempted 88% of the land. And according to the Marcos criteria only 0.5 million peasants qualified as beneficiaries, but of these a mere one percent received emancipation patents. Of the total confiscated lands only 0.2 percent were actually distributed and the high amortization rates resulted in debt crises for those farmers trying to

¹⁷ Philtra, 1988

purchase land. In contrast, steps were taken to strengthen the role of business in agriculture including permission for local and foreign corporations to buy or lease rice and corn lands. Landlord declared tenanted farms as corporate farms and registered their tenants as farm workers. The landlords were then able to sell or lease their estates and as a result many peasant tillers were evicted from their lands.

Mrs Aquino's popular election was in part due to land reform promises. However, the 1987 Comprehensive Agrarian Reform Programme (CARL) is the subject of controversy and peasants marching to denounce CARL have been attacked by the military.¹⁸

It is estimated that an effective Philippine land reform would need to distribute at least 2.4 million hectares to 1.5 million rural families. Mrs Aquino's reforms are, however, couched by so many conditions that this is unlikely to happen. Private commercial farms dealing with livestock, poultry, horticulture, and cocoa, coffee and rubber plantations have been given ten years exemption from the land reform programme. On the remaining land the retention limit is relatively high compared to other Asian countries (an average 11 hectares). The Aquino reform's self-imposed strictures mean it only contemplates a distribution of 10.3 million hectares to only 43% of the needy 1.5 million families.

Further controversy is due to the conditions of payment provided for in the new Aquino law (R.A. 6657). The valuation of the land is taken as its market value rather than on its productivity value whereas up to now successful land reform in Asia has depended on the productivity of the land being the major factor in its valuation. Market value is claimed by the government for the landowners as 'just compensation' but the peasant movement¹⁹ is quick to point out that anything above productivity value is 'unfair' and that there has been scandalous abuse of the market valuation proposal.²⁰ The supporters of

¹⁸ Philippine Peasant Institute, 1989. In January 1987 the Mendiola Bridge massacre occurred. 19 peasants were killed as soldiers and 'plain clothes' gunmen fired on a peaceful demonstration near the Presidential palace demanding action on agrarian reform.

¹⁹ Kilusang Magbubukid ng Philipinas (KMP) i.e. Peasant Movement of the Philippines.

²⁰ Peasant Movement of the Philippines (KMP) 1989, p1. In 1989 the 'Garchitorena land scandal' hit the news headlines. The Department of Agrarian Reform (DAR) was to buy to property from Alex Lina of Sharp International for P62.7 million or P33 000 per hectare. Peasants in the hilly unirrigated area say that the land can be bought for about

redistributive reform on the Constitutional Committee actually proposed the payment of 'fair and progressive compensation'. The rationale of 'fair and progressive compensation' is that small landowners would be compensated at a higher rate than large landowners. This sliding scale of compensation would discriminate between large landowners with other sources of income and wealth who are not (morally) seen as entitled to the same level of compensation as smaller owners who depend on their land for their sole source of income. This differentiation is seen as the cornerstone of an affordable land redistribution policy in the Philippines.

De Janvry reviewed 'The Agrarian Question and Reformism in Latin America.' His definition of "reform" is one in which there is a redistribution of land without any fundamental alteration of productive relations.²¹ He notes that most of the Latin American reforms were undertaken with complete compensation. Partial expropriation took place in Chile and Guatemala and complete expropriation of some lands was undertaken in Mexico in the 1930s and Peru in the 1970s. But these reforms affected huge estates and the retention limits were so high²² that the major effect of the reform was to revamp the capitalist enterprise. The land owner amassed the movable assets on the best lands; the worst lands became available for redistribution. According to de Janvry's analysis land reform has been of little economic benefit to the peasantry of Latin America. Rather he describes it as a refined system of labour exploitation as rural families send off family members to find urban employment and the extended family straddles the urban/rural divide in search of a household survival strategy.

Rigoberto Santoval, head of FAO's Land Reform Division reviewed land acquisitions in Latin America in comparative detail²³ and suggested certain innovations for designing a land reform. He noted the following different

P1 000 per hectare. Sharp bought the land two months earlier from the United Coconut Planters Bank for only P3 million. The deal was approved by the state but apparently halted when the Land Bank president refused to sign the cheque and called for enquiry. Subsequent investigations revealed other anomalous land deals involving the sale of overvalued marginal lands. Kilusang Magbubukid ng Philipinas, 1989, p1.

²¹ Thus Cuba falls outside of de Janvry's assessment of "reform and reformism" as agrarian restructuring was undertaken as part of the programme of transition to socialism and not as a rearrangement within continuing relations of production.

²² de Janvry, 1981, p206, The retention limits varied from 200 hectares in Mexico to 1500 in Peru to 50 000 in Bolivia to no limit at all in Colombia, Venezuela, Ecuador and the Dominican republic.

²³ Author's notes of personal interview, FAO Rome, November 1989.

methods of land acquisition which had been used in various Latin American countries: (a) FAO defines market value as the price at which a seller and a buyer are willing to trade, assuming that the former is willing to sell at a fair price and that the latter is willing to buy at a fair price and that both have canvassed the market value and have a reasonable knowledge of facts,²⁴ (b) the declared value of the lands by the landowner for tax purposes, (c) a value of compensation negotiated between the state and the owner which may or not differ from market value, (d) expropriation of land above a certain land area wherein the landowner has a right to retention limits of the best land and compensation on the expropriated land according to the Torrens system of soil quality and type, improvements and location assessment, (e) uncompensated confiscation as in Cuba, and the Somoza lands in Nicaragua.

Santoal suggests that the "social function of land use" is another factor which should be considered in any valuation assessment for determining compensation. 'Social function' is defined as the benefit to society due to the actual manner of use of the property. This would, for example, include an assessment of employment provided as a result of the land exploitation and the working conditions. A moral assessment is also argued for; the better the conditions of work, the level of salary, the quality of housing provision, the access to health facilities and education, the higher the valuation. The reverse would hold; the poorest social conditions, the grossest conditions of labour exploitation should merit the lowest valuation. This social valuation is quite independent of and would supercede consideration of soil type, quality and location. Santoal notes the mention of the social function concept of valuation in Brazilian, Venezuelan and Honduran law. However, he remains sceptical of the possibility of Latin American land reform succeeding simply through the passing of laws. He notes that lawyers and executive councils prepare laws which are often ignored by parliamentarians who are themselves landlords.

Santoal's defence of a moral assessment of the social function of land carries through to his views on forms of compensation payments. Compensation payments have historically taken the form of (a) payments in cash, (b) payment in part cash and part bonds and (c) payment only in bonds. The payment in bonds has not been under uniform conditions. There have been different modalities in terms of time period to maturity and interest rate levels.

²⁴ FAO/UNDP (1983)PHI/79/012 pp xiv.

Venezuela and Honduras have, however, given different kinds of bonds according to the efficiency of the land use at time of expropriation. Again the rationale has been that the greater the efficiency of land use, the higher the value of bond security irrespective of land quality, location or market value assessment.

1.1.(iii) "Just compensation", affordability, and macro economic considerations

Two issues emerge from this review of land reform practice which require separation. The first is about what the outgoing landowners receive in compensation. The second is about the economic conditions under which the incoming beneficiaries get the land. Both issues have in common the question of affordability but are not necessarily related.

On the first issue the difference in possible approach is enormous ranging from market assessments to a tempered social valuation assessment to no compensation at all. The very fact that the issue of reform arises at all must be due to a shift in power relations which challenge the actual status quo of land-ownership.

The arguments against any market valuation compensation payment go beyond Santoval's social valuation assessment. As pointed out in a critique of Philippine land reform proposals the value of land, and any increased value due to land improvements, is not due to the individual landowners efforts alone. Several social factors will have influenced value such as population growth and landlessness leading to increased demand for land. Infrastructural expenditure on roads or irrigation networks which have been undertaken out of public funds will also affect land value.²⁵ Furthermore from a historical perspective the landowners capacity to carry out land improvement investments is due in part to underpayment of any minimum wage to farm workers.

Another relevant factor which should perhaps influence compensation payments below market value is a discrepancy between that valuation of land for taxation purposes and valuation of land for compensation payments. The obvious question is why should government adopt a higher basis for compensating land-owners while the latter have been using a lower basis for

²⁵ Litchfield, N. (1964) p 66

paying taxes. A fair conclusion would seem to be 'the basis for society's compensation to landlords should be the same basis used by landowners in paying their land tax contribution to society. Hence, the assessed value used for tax purposes by the landowners should also be the same value used for compensation by the government.'²⁶

A further consideration is the method of payment rather than the amount of payment. It is self-evident that land transfer in itself does not involve the creation of new goods and services. Therefore, it is reasonable to project that cash payments alone, particularly if carried out within a short space of time, will contribute to an inflationary situation. There is a strong social and economic argument to be made for compensation to be made through the transfer of bonds instead of cash payment. Taiwan provides one example where landlords were given stock ownership in government corporations (thus promoting privatisation and industrialisation) and land bonds over a longer maturation period to minimise inflationary pressures.

This provokes yet a further consideration about the landowners' rural capital which is being 'freed up' through land reform compensation payments.²⁷ If society is to give landlords compensation ²⁸ it seems correct that society should then have some rights to determine the nature of compensation payments. In the Taiwanese example landlords received compensatory bonds tied to selected industries whose development was a counterpart of the agrarian reform programme.

In the final analysis the rationale and method actually chosen (or to be chosen) depends on the question of power relationships tempered by considerations of affordability. The ex-British colonies in Africa, in their first constitutions, all accepted a re-acquisition of settler land on a market valuation basis and did not consider at all the compensation to Africans who had been deprived of their lands for several decades. However many African states later

²⁶ Phildra. (1988) p9.

²⁷ *ibid.* p 10.

²⁸ Krickler, J. 1987, p 15 notes that a South African land reform of substantial scale, if compensated at market valuation would, 'bind the working class to paying an indemnity to their present exploiters in perpetuity, in effect ensuring that capitalist exploitation continued by another route. Wages would be held down and the reinvestments required to replenish agrarian means of production would disappear into dividends paid in compensation for assets that workers had already 'bought' by way of profits extracted from them over generations.'

changed the rules on state land acquisition due to reasons of affordability. As has become very clear in Zimbabwe, an example which will be examined in more detail later in this chapter, a crucial issue is the financing of land reform and resettlement, if indeed a financial re-acquisition of land is contemplated.

The issue of what beneficiaries pay, is also problematic. Assuming most beneficiaries do not have capital, they may or may not be able to afford to make the payments for the land from their annual production income. There is of course always the possibility of the state donating the land to the beneficiary. But this is a rare occurrence because (excepting countries which have opted for state land ownership) of a concern that land should be marketable and that it should have a collateral value on which banks can give production credit.

The affordability of land on the basis of annual income will depend on whether the net production income is sufficient to pay the amortization payments (after discounting all direct production costs plus the farmer's own remuneration). This will in turn depend on the initial valuation of the land for mortgage purposes and the rate of interest. The demand that farmers should pay the equivalent of compensation given to the landlord, within a five year period, contributed to the failure of the South Korean land reform. Farmers could not meet these conditions. The Philippine Peasant Movement's demand is that the amount paid by the beneficiary should be based on the productivity value assessment of the land and that 'amortization payment should be set at 10% of net harvest if land is to be truly affordable.'²⁹

These considerations have a special relevance to the South African context. The ruling National Party is itself concerned with the divergence between the Land Bank's productivity assessment valuation of land and the actual market value (See Chapter 6). Furthermore interest rates are at an all time high of 21 per cent. Any new entrant to the farming economy who does not have capital reserves would find it difficult to pay the interest on the loan out of the net production income of the farming activity. The obvious land reform beneficiaries such as labour tenants and the landless unemployed who have no capital at all would be doomed if the reforms were to take place under such conditions.

²⁹ Phildra, (1988) p8.

The discrepancy between market value and productive value has major long term implications for any society and has been rarely tackled, excepting where land has been nationalised. Sweden is one country in which a land market has prevailed but with careful regulation to avoid speculation and value discrepancies.³⁰

In the Swedish constitution landed property has a unique status. The regulatory power over the land market is achieved through Statutes which include a Land Acquisition Act.³¹ The Swedish land regulation in place until recently³² was the outcome of rural struggles in the 19th century. Sweden has 23 million hectares of forestry land and only 3 to 4 million hectares of arable land. During the latter part of the 19th century there was an increase in company purchase of land and an opening up of company sawmills. Farmers felt threatened; they feared that the entire rural community was headed for rapid extinction. Companies, they argued, had a different financial and investment basis and different tax considerations compared to the ordinary farmer and would, thus, withstand the financial strains of poor harvest years more easily. All in all, companies represented unfair competition to the family farm. The political lobby was powerful enough for them to win support in 1906 for legislation which included, (a) no company ownership of arable land; companies could only own timber land and (b) foreign ownership of any Swedish land whether arable or timber land was prohibited.

Further legislation regulating access to land was passed in the 1930s during the depression. In order to secure better land use, higher yield levels and therefore higher farm income levels the government passed legislation requiring that anyone buying agricultural land should have both a certain

³⁰ The following section is based on interviews with representatives of the Swedish Ministry of Agriculture, Birgitta Hansson, Ulf Larsson and Gunnar Rosqvist and with Bo Genfors of the Farmers Union all of whom patiently answered my many questions. The responsibility of interpretation is mine.

³¹ Swedish Government, (1979) The Land Acquisition Act, SFS 1979: 230 is the most interesting in the terms it sets out for conditions on who has the right to acquire land and under what valuation conditions.

³² Swedish National Board of Agriculture (1988) Modifications to the Land Acquisition Act were passed in December 1988 which reflect changes in power relations. The prohibition of agricultural landholding by foreigners has been dropped. The overt national concern is portrayed as out of keeping with a political climate of a European economic community spirit.

educational level and a proven farming ability.³³ Legislation passed in subsequent years was concerned with the maintenance of the rural community together with farm efficiency and farm enlargement. Agricultural restructuring policy informed the legislation which governed the conditions of sale of agricultural land. Land for sale had first to be offered to neighbouring farmers. If the neighbouring farmers' hesitation to acquire the additional land was due to financial considerations the state could step in, assess the farmer's ability to use the additional land effectively, and make an offer of financial assistance.

Government regulations which controlled who had the right to buy land were further extended to regulate the price at which land changed hands. Any agreement between the seller and potential buyer on a price for the farmland was subject to state scrutiny. The concern here was (a) to avoid land market speculation and (b) to ensure that the land price was economically viable, enabling new owner to cover the land purchase without running into liquidity problems. Thus County Agricultural Boards employed land valuers who carried out independent assessment in the field and by comparative reference. The field assessment reviewed the yield value of the land and transformed the average yield value to economic terms. Valuations tables which graded land and indicated average yield expectations were an additional reference tool.

Defendants of Swedish land policy note that it provided socially desirable long term rural community continuity. This is indeed a stark contrast to the 'ghost towns' of the white platteland of the disintegrating South African rural communities.

The importance of the Swedish example is its concern for (a) a productivity valuation of land (b) the liquidity assessment of the prospective buyer (c) an evaluation of the purchaser's farming ability and (d) a state capacity to give financial assistance for restructuring. These considerations may be relevant to all land reform situations but are perhaps more especially relevant to the South African situation in which the gap between market and productive value needs to be resolved.

³³ The legislation made it extremely difficult for anyone to buy land who is not already involved in agriculture. For example a person who has made money out of a non-agricultural business venture would have great difficulty in diversifying business interests to include farming.

1.2. Conflicts of interests: the political debate in South Africa

In South Africa there are several contestants in the political arena of land struggles. They are not always engaged in open confrontation with each other. But they represent the interests of different constituencies and a considerable amount of lobbying is underway. Some communities, especially the vulnerable labour tenants, continue to fight evictions, while others demonstrate against the privatisation of trust land. Indebted white farmers have demonstrated on the streets. The government promises to maintain the property rights of white farmers even when they have reached the stage of bankruptcy; the state continues to give them substantial subsidies³⁴. The Development Bank of Southern Africa, critical of white farming efficiency, is backing a black entrepreneurial approach to South African farming. It is devoting considerable energies to lobbying the government, the business sector, and the ANC itself. It engages in regular discussion meetings with the ANC Land Commission which itself continues a prolonged debate at various levels of its structures.

In this section I review in greater detail the positions of the various protagonists namely: (i) the ruling National Party government, (ii) white farming groups, (iii) community groups, (iv) the ANC debate (v) the DBSA as a reform-supporting institution and finally (f) assess the implications of these positions.

1.2.(i) The National Party Government.

In recent years the government began to renege on the regulatory economic interventions which protected white farming interests. Opening the

³⁴ Personal notes, author observation. DBSA/ANC Land Commission Meeting, October 1990. In 1990 and 1991 the government appeared to respond to public and business sector criticism of the farm budget through cutting subsidies. However, as pointed out by Van Zyl (Professor, University of Pretoria) at the meeting, the extent of cuts is overestimated because the government while refusing some interest rate subsidies has agreed to act as guarantor. Thus in 1991 an estimated R460 million will be required by the bank to cover unpaid loans and in 1992 an estimated R700 - 800 million. However, in 1992, the Government's (see ref RSA Government 1992) so-called drought relief programme for summer rainfall grain farmers includes extensive debt write-off beyond that incurred only in the 1991-1992 season. (see Farm Workers' Research Project memorandum, 1992, mimeograph.) Earlier interest rate subsidies were granted after the banks ascertained the future viability of the farming unit but the most recent May 1992 package does not discriminate.

August 1990 Agricultural Summit conference in Pretoria, the state president Mr de Klerk re-affirmed the Government's commitment to private property and a free market economy. "The recent developments in Eastern Europe have confirmed that there is no alternative to private initiative and an efficient market system." The ANC contends that the whites, having used state intervention (expropriation, nationalisation, subsidies) to create white economic hegemony, are now changing their tune (a) to protect their property interests and (b) to ensure that a future democratically elected (black) government will not have the same powers as they had. This strategy is clear in the proposals regarding minority rights in a new constitution which the government has advanced at the negotiating table. The government's 12 point blueprint to protect minority rights include the following: (Point 4) the free market system must be maintained, (Point 8) property rights should be respected and any expropriation must be accepted by proper compensation and (Point 11) private property and a free market system should not be "ruined" by an "unjust system of taxation". These proposals are designed to freeze existing property distribution and to limit the future possibilities to redistribute even through such mechanisms as taxation.

De Klerk's opening remarks at the 1990 Agricultural Summit Conference included reassurances to white farmers, "The Government understands your concern in the agricultural sector about the question of land ownership in a new constitutional dispensation in South Africa. I want to give you as a farming community the assurance that we are not prepared to negotiate about your land - your title deeds are safe."³⁵ There are two riders to this statement, firstly, "Of course, we shall also have to ensure that the opportunity for private ownership of land will be extended to all South Africans without prejudicing vested rights," and that factors that hampered the efficient operation of the market system would have to be eliminated.³⁶ The professed aim was unfettered capitalism and the government started the process of dismantling its extensive regulatory intervention to the dismay of many white farmers.

Since the beginning of 1990 the Minister of Agriculture announced several policy changes.³⁷ The restrictive powers of the Wheat Marketing Board vis-a-vis millers and confectioners have been stopped and those of the Meat

³⁵ Saturday Star, August 25, 1990.

³⁶ *ibid*, President F W de Klerk.

³⁷ Christodoulou, N.T & N Vink, 1990, pp. 32-33.

Marketing Board are under review; the Karukul Board is abolished. Egg production control has been abolished. Quantity import controls have been abolished on several foodstuff products. Restrictions limiting the geographical transfer of meat have been modified. Steps are being taken towards "market orientated price formation" i.e., that internal prices should be on par with the international price. Single channel marketing schemes which operate for several products are to be discontinued. The bread subsidy was also to end in 1990. Restrictions on the erection of bulk storage facilities have been scrapped.

However, in May 1992 the government forestalled on its commitment to a free-market system.³⁸ Several thousand farmers technically fulfill financial conditions according to which they should be declared bankrupt and sequestrated. However, in the first instance the banks themselves stopped short of foreclosing the debtors. After auctioning a few properties and finding the bids to be far below the book and debt value there were fears of provoking a crash in the land market and undermining white farming confidence still further. The government has now interfered with free-market consequences in a manner which goes far beyond debt relief. The May 1992 government relief package to summer grain farmers not only compensates farmers for this season's production losses but is sufficiently generous to write off capital and interest debts to allow thousands of farmers to attain a debt level which will be manageable for the next few years. Hence the May 1992 so-called drought relief package provides the means to support land prices and maintain the status quo in land ownership.

Similarly the government, having spent decades trying to create self-governing territories now needs to dismantle the bantustans. With regard to the future of black communally owned land the government has initiated privatisation attempts. "The 1913 and 1936 legislation cut both ways. . . It prevented black people from obtaining land outside those territories, but . . . also prevented whites from obtaining land inside those territories. . . The areas were protected by this. . . That is a question we shall have to answer. . . There is no sense in saying that there is certain privately owned land and that communal-owned land should be excluded from this. If we open up the land, we must open up all the land, not so?"³⁹ The future of land tenure arrangements were discussed between President, F W de Klerk, Constitutional Development

³⁸ RSA Government, (1992)

³⁹ *ibid.*

minister Viljoen and cabinet ministers from the homelands.⁴⁰ Land Bills are being processed by the legislative bodies of KwaZulu, Qwaqwa and Ciskei. They all provide for the sale and subdivision of communal land and give powers to chiefs to carry out transactions.⁴¹

In March 1991 the government released its White Paper on Land Reform claiming the document to be the "result of extensive consultation, deliberation and negotiation" President De Klerk hailed the paper as "a historic turning point" whose objective is "to do justice to all the citizens of our country" However its starting point is that "to build a new future the past must be forgotten." "The Government is of the opinion that a programme for the restoration of land to individuals and communities who were forced to give up their land on account of past policies or other historical reasons would not be feasible" The White Paper constantly affirms government support to white farmers, protection of their property rights and a commitment to fostering freehold marketable title throughout the new South African state.

The basic principles of the White Paper set out are that⁴² (a) all racial restrictions on access to land and ownership be abolished, (b) that a non-racial free market system based on private title and individual ownership be fostered, (c) large scale commercial agriculture be encouraged, (d) there be no restoration of land to victims of forced removals, (e) there be no redistribution of agricultural land (f) forms of tenure considered inferior to that of freehold be upgraded (g) a "tribe" which buys land may not use it communally unless permission is granted. Hence (h) in the case of communal land unchallengeable, discretionary powers are given to officials to administer land rights of black people. (i) For those with individual freehold title any state directives concerning the manner in which land is used can be judicially challenged. Widespread criticism of the White Paper has led to the setting up of a commission to examine community land claims as well as a moratorium on the sale of state land although this has not been respected by the civil service.

⁴⁰ Citizen 3 October 1990, Business Day, 3 October 1990.

⁴¹ Lund, S. (1990) p 8.

⁴² See the excellent overview of the White Paper and Draft Bills provided by National Land Committee in 'Land Update' No 7. 1991.

1.2. (ii) White farmers.

White farmers are not a homogeneous group. The diversity of approach to farming and manner of land holding are reflected in the political stance taken by different groups. Companies who have farming interests have not been vocal about their expectations. The most vocal farmers have been those who feel not only uncertain about their fate in a post apartheid South Africa but also in many cases feel that their very existence is threatened by current government intentions to cut subsidies and accelerate deregulation.

The South African Agricultural Union (SAAU) is officially considered as the white farmers' mouthpiece to government. It is a federation of about 2000 farmers associations claiming to represent 75% of all farmers. Its affiliates include the provincial unions, nine central commodity cooperatives, the Wool Growers Association, the Sugar Growers association and the Poultry Breeders Association.

SAAU has taken a conciliatory approach to a non-racial land market based on voluntary buying and selling,⁴³ is prepared to consider opening membership to black farmers. It has also taken a positive attitude to proposed farm worker labour legislation. But many of its positions have not received support especially from the Transvaal Agricultural Union (TAU) and the Orange Free State Agricultural Union (OFSAU). In addition the forestry and fruit sectors of SAAU consider its bias towards debt-ridden farmers leads to a failure to represent the large-scale profitable farmers and companies effectively.

TAU has become the central antagonist of land and agrarian reform. In June 1990 the regional Transvaal Agricultural Union (TAU) held a referendum among farmers on the opening of "white" agricultural areas to people of other race groups. 95 percent of the 12 000 farmers who participated in the referendum voted against the repeal of the Land Acts. TAU has delivered a petition to the State president's office calling for a written undertaking by the Government guaranteeing white land-ownership.⁴⁴ On 24 October 1990, 200 khaki-clad farmers from the debt stricken Springbok Flats area and Western Transvaal disrupted the SAAU annual congress. Their demands included: a

⁴³ The Citizen, 2nd August 1990.

⁴⁴ Saturday Star 6 Oct 1990

written undertaking by SAAU that white-owned agricultural land will remain in white hands, direct government subsidising of interest on agricultural loans, the writing off of debts, and that the Land Bank will cease all pending sequestrations.⁴⁵ The government's "relief" measures announced in May 1992 meet most of these demands.

TAU thereafter convened a national meeting, in direct challenge to the SAAU to discuss both the economic crisis faced by some sectors of agriculture and the political changes proposed in the Government's Land Reform White Paper released in March 1991. Decisions taken at this TAU conference included⁴⁶:

- * investigating the establishment of closed corporations or similar institutions as a way of retaining land in white hands and,

- * establishing an alternative agricultural union to replace SAAU

- * establishing a security network in white farming regions.

Differing attitudes among the provincial unions are a barometer of the economic health of its members. TAU and OFSAU have many debt-ridden farmers and are the most resistant of any change in land or labour legislation. They also oppose the reduction of subsidies to farming as part of the government's move towards a more free market economy. Natal Agricultural Union (NAU) says it wants to "keep politics out of agriculture".⁴⁷ The Western Cape Agricultural Union (WCAU) with many members from the profitable wine and fruit sectors supports a free and non-discriminatory land market and the proposed labour legislation. The Eastern Cape Agricultural Union (ECAU) at its 1990 congress voted to support legislation "to open land to all races as long as it is according to Free Market practices, squatting is prevented and that nothing is done to damage the productive potential of agriculture."⁴⁸

⁴⁵ The Star, 25 Oct 1990.

⁴⁶ Farm workers' Research and Resource Project. 1991.p18.

⁴⁷ *ibid.*

⁴⁸ *ibid.*p19.

I.2.(iii) Community groups

"We are the children of Africa
 We cry for our land
 Zulu, Xhosa, Sotho,
 Zulu, Xhosa, Sotho unite
 We are mad over the Land Act
 A terrible law that allows sojourners
 To deny us our land
 Crying that we the people
 Should pay to get our land back
 We cry for the children of our fathers
 Who roam around the world without a home
 Even in the land of their forefathers."

Song about the Land Act when it was introduced.⁴⁹

Africans did not only lose their land to settlers they also lost their country to a settler state. In the process of capitalist colonisation and the creation of a settler state, 'Africans experienced a dual process of class and national formation' and a 'colonial bourgeois land nationalisation'.⁵⁰

Thus, Mbongwa says, "The agrarian question in modern South Africa, unlike in most other industrialised countries, is concerned with more than *food* and *farm* problems." This immediately poses the question of the meaning of land nationalisation for community groups. The popular understanding of land nationalisation was expressed by community leaders and rural activists⁵¹ at the ANC's land workshop in October 1990.

"The whites came and nationalised the land and then shared it between themselves, now the blacks must also nationalise the land and give it back to the people" Thus in its popular perception, land nationalisation involves a return of the land to blacks; the interpretation on the ground of the Freedom Charter clause: 'The Land shall be shared by those who work it.'

⁴⁹ Human Awareness Programme, 1989. pC3

⁵⁰ Mbongwa, M. 1990. p3-4.

⁵¹ Source: Author's participant observation notes.

The ANC's workshop package, however, presented the theoretical and economic implications of land nationalisation combined with a review of advantages and disadvantages. In a panel discussion on land reforms and agrarian restructuring in Tanzania, Mozambique, Zimbabwe, Canada and the Philippines, the speaker on Mozambique made the point that the day after land nationalisation takes place, whoever was farming on the land the day before is still there. Mozambican peasants who had earlier lost their land to settlers did not get their land back; the state kept abandoned settler land primarily for state farm production.

The workshop concluded that what land nationalisation can achieve is an end to any land speculation as a result of the abolition of the land market. However the option (as part of an across the board nationalisation programme) would require a strategy to overcome the effects of likely financial crashes and capital flight. The Land Bank would face the possibility of a collapse as its bond payments would be cancelled. The action of nationalisation would alter the status of assets and liabilities and provoke retaliatory action. But, in any case, although nationalisation can be a step in the land redistribution process it does not of itself effect a change as to who is in charge of production on the farms.

It is proving difficult to bridge the gap between the popular understanding of grass roots activists and "intellectuals". There is patent mistrust of an assertion that land nationalisation, per se, does not ensure a return of the land and that it is necessary to canvas other ideas on how to achieve this. Communities have a deep-seated fear that alternative proposals to nationalisation are part of a ploy to cheat them.

For some communities the current issue is not to regain land but to prevent dispossession of their current land holdings. Struggles to prevent eviction of labour tenants continue. This is connected with the struggle against privatisation.⁵² For example, the Mier community in the Kalahari, who have held their land communally since 1896, resisted the decisions of the House of Representatives that the reserve should be privatised. The land was to be divided into units, sold to those who could afford to buy. Only an estimated 10 per cent of the current population would remain. Land degradation is the

⁵² National Land Committee, 'Land Update', No 2, June 1990

supposed rationale for the division into units; but this is contested by conservationists who say that communal farming is the best approach for the area. So far demonstrations and lobbying have been successful enough to prevent the division and sale taking place.

Other communities are struggling to prevent the government selling off state land to white farmers, land to which the black community has a claim. For example in the Western Transvaal, the state currently holds land expropriated from black freehold communities which has now been vacant for fifteen years. The sale of this land to white farmers would undermine the communities' claim for a return to their land. Community protest in this case succeeded and the government promised that "no agricultural land which previously belonged to black communities and had been expropriated at an earlier stage in accordance with consolidation policies will be sold henceforth."⁵³

This does not rule out the possibility of other lands being privatised. In some of the bantustans discussions have been underway for the privatisation of state trust land and communally held tribal lands. And while the abolition of the Land Acts is a necessary part of dismantling apartheid, there is concern that the process of repeal should be undertaken in a way which will not undermine existing de facto rights which people and/or communities presently have to land.⁵⁴ Claassens notes that, 'In most instances black property rights are not reflected in legal documents like title deeds. . . While the land may be nominally owned by the South African Development Trust, or a homeland government or a chief, it is in fact occupied by millions of individual families and communities. In many cases these people have rights to particular pieces of land- whether by grants, certificates of occupation, purchase or inheritance. The fact that these rights are not registered on title deeds is a result of the bizarre and complicated maze of regulations, reservations and overlapping trusts that the state has imposed on black areas.'⁵⁵

In relation to the government's White Paper communities have had several concerns and have been vociferous in their response:⁵⁶

⁵³ *ibid.*

⁵⁴ Lund, S. 1990, p.2.

⁵⁵ Weekly Mail, 12 Oct 1990.

⁵⁶ The National Land Committee, (a non-governmental service organisation) working with regional affiliates who in turn work with communities who are resisting dispossession or organising to make claims for repossession) organised a series of workshops with

(a) They were angered over the lack of consultation and dismissed the Government's claim that there had been extensive consultation and negotiation. "We are outraged that the government dared introduce such reforms with such far reaching consequences in advance of national negotiations without having consulted with us the black people.⁵⁷ "The government did not consult the affected people, therefore this paper only represents the government's interests." Commenting on the White Paper communities said, "Let the whites keep their paper. It's just apartheid."⁵⁸

(b) Communities expect restitution in the name of national conciliation. Between 1960 and 1982 over three and a half million people were forcibly removed due to apartheid policy. Of this number over 600 000 belonged to communities who owned their land. While the White Paper, in response to white fears, confirms its highest regard and respect for the integrity of title, there has never been respect for the integrity of African title deeds. Communities claim that whereas the White Paper says that land restoration will cause conflict unless there is retroactive respect of African title and restoration there is bound to be even greater conflict.

(c) Communities fear that the implementation of "The Upgrading of Land Tenure Rights Bill" which provides for "the rationalisation of land registration systems and the upgrading of lower-order land tenure rights to full ownership" will actually denude some people of their existing land rights. As a result of administrative failures in the past, many people who hold land rights have never received documentation. For example in the Border corridor 2 percent of households have quit-rent title⁵⁹, about 40 percent have Certificates of Occupation, but the majority have no formal rights at all.

representatives of communities to ensure that community views would be included in the NLC submission to the Parliamentary Select Committee which was set up as a result of the immediately expressed opposition to the Land Bills from diverse groups.

⁵⁷ Representation from the Border region. NLC 1991, p3

⁵⁸ *ibid.* 13 Removed Communities.

⁵⁹ Marcus, T. (1989b) p20 defines Quit-rent tenure "where land is held through payment of an annual quit-rent. . . The terms of access differ only in detail from that of communal tenure, in that lots can be transferred or sold with the permission of the administration. Allotments cannot be subdivided . . . Women lose their rights to the field if they divorce or remarry on becoming widowed . . . The land . . . can be only inherited according to a table of succession based on male primogeniture."

(d) Communities also fear that "The Upgrading of Land Tenure Rights Bill" will interfere with communal tenure - a system which in the past afforded them some guaranteed land rights and security. They furthermore claim that in some agro-pastoral areas communal land use may be the most appropriate system of land management ecologically.

(e) Communities are similarly angry at the provision in the bills to limit the expansion of communal tenure. Buying land collectively has been the only way that Africans were able to find the purchase price. They also insist that they should be allowed to choose their own land management system democratically and not be subject to Ministerial permission. They dismiss suggestions that communal farming necessarily causes environmental degradation. They see the real problem as connected with overcrowding rather than farming method. They claim too that commercial freehold farmers are guilty of degradation through monocropping with heavy use of chemical fertilisers.

(f) Communities also realise that if their access to land depends on purchase on the free market, then their under-capitalised status will in practice preclude them from access to land. In any case "Why should we buy the land that was stolen from us in the first place? Apartheid has made us poor, we cannot afford to buy the land."⁶⁰ "The land was taken away from us, and with it our power and source of livelihood and income. We fear that out poverty under a free market will mean that we will lose the little land we have left."⁶¹

1.2.(iv) The African National Congress (ANC)

The ANC is in debate over land policy. The Centre for Development Studies⁶² (CDS) sponsored a meeting in Harare in May 1989 which brought together community leaders, service organisation activists and ANC exiles. In November 1989 the South African Economic Research and Training project (SAERT)⁶³ convened some forty Southern African academics to exchange views on the land question. There were three major discussions in 1990 and a further

⁶⁰ 18 Transvaal Communities. NLC 1991, p6.

⁶¹ 10 Border Communities.

⁶² CDS was an internationally sponsored research project whose principle aim was to carry out research with community participation in South Africa.

⁶³ SAERT was an Amsterdam based project which provided a research based for several South African exiled academics.

workshop in May 1991 in preparation for the ANC Congress. In February 1990, a week after the ANC was unbanned, exile members held a workshop on land issues. The ANC-COSATU meeting in Harare in April 1990 provided a second major discussion forum. The third workshop was held in October 1990. The workshop was attended by experts from other countries with diverse land reform experiences.⁶⁴

In this review I highlight only some major aspects of a complex and detailed debate. For example, four outstanding points emerged from the February workshop. Firstly, it opened up, within ANC ranks, the controversial debate on land nationalisation. Up to then the Freedom Charter statement, "The Land shall be shared among those who work it!" was, for many cadres, synonymous with land nationalisation.⁶⁵ This was challenged. A recommendation emerged that the ANC should form a Land Commission. This began to be implemented in June 1990 both at regional and national level. Emerging out of a discussion of Zimbabwe's handling of land squatting came the recommendation that the ANC should set up Land Claims Commissions to provide a process for people to get their land back. Resulting from an extended "post apartheid" simulation exercise (designed by myself as a workshop facilitator- see Appendix 166) came the realisation of the need to assess the balance of forces between different groups with conflicting interests and their varying strength in the fight for their interests.⁶⁷ There was an awareness that a new government can corner itself into a precarious position in attempting to balance conflicting demands from different interest groups. The simulation exercise also served to highlight the absolute necessity of a consultation process as integral to policy making.⁶⁸

⁶⁴ Source: Author's participant observation notes from all five of these workshops and seminars.

⁶⁵ See Marcus, T.(1986), (1989b), (1989c) Mbongwa, (1984) p.108, Mbongwa (1989) Dolny (1989)

⁶⁶ Dolny,H. 1990a "Strategising for Transformation: Conflicts of Interest in Maize Farming in Western Transvaal" drafted in consultation with Njobe, B and B Thomas. See Appendix A.

⁶⁷ In the debriefing which followed the role play when this simulation exercise was used a second time, the banks revealed that in their terms the workers and unemployed had not exerted their full pressure-as the bank devised fall-back positions on land redistribution which they did not need to use.

⁶⁸ In one run of the simulation exercise the transitional government arrived with a preconceived position and although it carried through a formal consultation it did not alter its original position. The response from the role groups was hostile as they complained that they had a chance to speak -but were not heard.

The papers presented to the Harare workshop focussed on land acquisition and forms of production in a mixed economy.⁶⁹ There were several areas of consensus: the return of land to those removed from black freehold farms, legal recognition of land holding rights of certain labour tenants, women's rights and their special needs and the need for a radical environmental policy.⁷⁰ The discussants' contributions on ownership reforms were diverse. Three trains of thought predominated. The first option would be to leave present land ownership undisturbed and to guarantee property rights constitutionally. Under this option land could be made accessible to blacks through (a) increased tenancy opportunities including sharecropping and labour tenancy arrangements and (b) a land taxation policy designed to encourage less productive land holders to sell. The second option rejected what was described as backward, exploitative forms of tenancy and saw them as part of an apartheid legacy which should be eradicated. Those who want land for production or living space should be given a constitutional right to purchase their own private freeholds. The state would facilitate this process through buying land from white owners and redistributing it, or by creating the conditions for easy land purchase by blacks within a non-racial free market. The third option was based on the concept that the state is the 'guardian' of all land having historically issued farmers with state leaseholds which would be hereditary and marketable. The state should therefore have powers to regulate the land market and decide to whom the leasehold may be transferred in order to influence the rural social structure: a model practised in Sweden. This proposal rejects nationalisation and the abolition of the land market as too cumbersome, resulting in a large bureaucracy, possibly promoting illegal land dealings and losing the advantages of a regulated marketability that can promote both land care and efficiency of resource use.

The October 1990 workshop provided quite a different discussion forum (Lusaka, February 1990 had only exile participants; Harare May 1990 had only social scientists). There were delegates from most of ANC regions, community leaders from rural areas, specialists in land-related issues nationally and internationally. Participants with a long history of land struggles related their personal experiences. A panel discussion focussed on the experiences of Zimbabwe, Mozambique, the NUM (National Union of Mineworkers)

⁶⁹ The papers were by de Klerk (1990[a]) (Option 1), Dolny (1990 [b])(Option 3), Mbongwa and Nhlapo-Lewis (1990)(Option 2), and Sangweni(1990).

⁷⁰ ANC/COSATU (1990) Harare Recommendations, Report from Working Group [D] p.1

experiences⁷¹ in Lesotho, Swaziland and the Transkei, Tanzania, Canada. Economics and biological sustainability were two further major topics.

A range of transformation issues were discussed: the need to satisfy land hunger, provide employment; for a mechanism through which land claims can be adjudicated, for labour legislation to protect all rural workers, for a restructuring of agriculture to make it more equitable, economically viable and sustainable. The participants were divided into five working groups: (I) Communal Land, (II) Land Claims, (III) Land Acquisition and Compensation, (IV) Labour and Gender Issues, (V) Forms of Production and Economic Policy. The sixth topic, land nationalisation, was considered by all groups.

The summary report which provides an overview of the workshop debates was used as a contribution to launch a consultation process and distributed to ANC branches for membership commentary. Thus several more months of response contributed to the recommendations drafted for the ANC policy conference which took place in mid year 1991. Workshop participants differed in their views on nationalisation, compensation and so on. But several points indicate some new directions in ANC land policy thinking.⁷²

Land distribution was considered more important than land nationalisation.⁷³ It was felt that the state had to play the principal role in effecting a major redistribution and that an unregulated land market would lead to a failure of any serious land reform strategy. Some participants felt that legal state ownership (involving the abolition of the land market) is the only way for the state to exert effective control over land redistribution; others felt that this could be achieved through different means including: (a) state control over access to land; (b) a strongly managed and regulated land market; (c) state acquisition in the public interest with the use of state leaseholds and land grants; and (d) a progressive land tax as a means of preventing holdings of unused land.

⁷¹ Following the large scale retrenchment of miners after the 1988 strike, the National Union of Mineworkers began a pilot programme of job creation through the formation of cooperatives.

⁷² ANC, 1990 (b) p.5.

⁷³ *ibid.* p. 5. "Two different understandings of land nationalisation were identified. (1) A dominant *popular* impression that nationalisation refers to the process of state expropriation of land i.e. land acquisition, and not the ownership of land. (2) A minority understanding that it refers to continued state ownership of the land. Another group discussed the need to distinguish between intervention and nationalisation."

The summary report shows a dominant disposition towards selective nationalisation in a mixed economy, the issue of land grants rather than credit facilities for purchase, and tenure forms which include the continuation of community ownership when this is the preference of the majority of its members.

The working group on communal lands noted the need for legally recognised communal title deeds; the need to dismantle all legislation and payments relating to chiefs; the need for communities to elect their own members democratically; the need for innovative financial schemes in the case of bank refusal to allow land to be used as collateral because of its communal status. The land claims working group identified categories of people whose land claims should be considered, identified reasons for disputes and claims to the same piece of land and discussed criteria for arbitrating claims.

The group working on land acquisition and compensation contextualised their discussion assuming (i) a mixed economy and (ii) the existence of a new administrative bureaucracy dealing with land reform. The group further assumed that land reform should be based on a demand-led approach (i.e., the state should not acquire land unless there is a demand for it)⁷⁴ In response to demand, the state's acquisition should be guided by productivity factors and social considerations (eg., whether land is underutilised or if the farmer has violated human rights). The introduction of a land ceiling as a means of land available for redistribution was felt to be problematic because of the enormous variance in land quality. A suggested alternative was to adopt a principle of one person one farm.⁷⁵ Compensation was considered generally essential⁷⁶ (although some people remained opposed) in the assumed context of a mixed

⁷⁴ This point of view is informed by various experiences and considerations. (i) The state should not acquire land unless there is a demand for it in that location. (ii) People with specific land claims may be expected to pursue these actively but beyond that there is the issue of the millions of unemployed. In neighbouring states a forced 'back to the land' policy has been tried. (See Hanlon, 1984, pp. 244 -249) It is felt that this is unacceptable. It was felt that the economic terms of trade and living conditions in the rural areas needed to prove themselves attractive and then the state should facilitate land acquisition.

⁷⁵ The term farm here refers to a single productive unit, not the number of title deeds incorporated into the farm.

⁷⁶ ANC. 1990b, p. 13. There were certain circumstances where compensation would not be given: unused, underutilised, or abandoned land, abused land, farms on which there have been human rights violations or violation of labour laws.

economy. However the proposal was for a "tied compensation" i.e if society is to pay then the form should be determined by society's best interest.⁷⁷ The proposal was made of 25% in cash, 25% in government bonds and 50% in industrial bonds.

The workshop also considered the promotion of different forms of production which would co-exist in a mixed economy. State farms are not seen as an easy option bearing in mind the experiences of other countries and South Africa's apartheid heritage of unskilled farm workers. While cooperatives should receive favourable consideration, there is awareness that their success depends on a combination of organisational, technical and political skills which are not always present. It was also felt that agricultural policy as a whole should be geared towards the benefit of individual and community farms above company farms. In discussing corporate farms, the following were suggested as measures to be used to improve their contribution to society: corporate land holdings should not expand, a land tax should be used to pressure corporate farms to relinquish land, tax incentives should be used to encourage worker participation, corporate farms should be pressurised to participate in community development programmes as a condition of their continued operation.

The ANC land reform debate has moved beyond pure rhetoric towards the creation of a viable rural future. The fact that South African agriculture is not the major earning sector in the economy provides greater flexibility to a remodelling process.⁷⁸ In summary, the economic working group concluded, "South Africa's human profile requires a strategy for land and people, for food sustenance, creating an employment base in rural communities with viable incomes."⁷⁹ A question continuously raised at the workshop was, "What's the use of getting the land back if you're going to be bankrupt in five years time?" Land redistribution on its own is insufficient; it must be linked to a holistic policy embracing economics, education, and services as integral components to restructure rural conditions.

⁷⁷ The post war strategies pursued by such capitalist government's as Taiwan and South Korea inform this view.

⁷⁸ This opinion is informed by a discussion on other African countries. Reviewing Tanzania's experience, for example, it was noted that Tanzanian agriculture is the major production sector. After independence everything depended on agricultural earnings: the budget to build up infrastructure; the foreign exchange earnings to import capital goods etc. This is not the South African case.

⁷⁹ ANC, 1990, p 16.

1.2.(v) The Development Bank of Southern Africa (DBSA).

The DBSA is a parastatal institution. According to Brand, the recently late (1992) Chief Executive and Chairman of the Board of Directors of the DBSA, the South African government, "is the major shareholder and provides the majority of funding, and can exercise greatest control in DBSA's affairs. . . But. . . It's modelled on other regional banks in the world. It has a decision making process far removed from that of typical bureaucracies. . . we have not slavishly followed the South African government. We do not operate like a department of government."⁸⁰ DBSA employees are said to have influence on the current National Party government. The DBSA may have an important role in implementing land reform policy in the post apartheid era.

The DBSA is fully supportive of the government's approach of deregulating white farming. Appraising the policy reforms introduced by the government this year key DBSA employees noted, 'The positive trends in 'white agriculture' can to a large degree be attributed to the budgetary impact and policy changes introduced by the state in its efforts to free up the agricultural market mechanism. This confirms the postulation that the market mechanism can be used as an efficient instrument to allocate resources optimally as long as all are entitled access and are empowered to participate."⁸¹

DBSA also advocates that within a deregulated market economy, skilled black smallholders/entrepreneurs should find an effective, profitable role for themselves. Hence, Brand maintained that a relaxation of land restrictions and black access to inputs will not have a negative effect on production, "We have to get the fictitious argument (that smaller farms would mean less efficient production) out of the way."⁸² This statement requires qualification and is explored in Chapter Seven. The view that land ownership patterns could be substantially altered without necessarily leading to production losses has been further supported by the Private Sector Council's Working Group on Rural Development.⁸³ Research carried out by DBSA employees has been highly

⁸⁰ Simon Brand, "The Role of the DBSA" interview published in "Development: A Survey." Supplement to Financial Mail, November 13, 1987.

⁸¹ Christodoulou, N.T. & N Vink, 1990, p33.

⁸² The Star, 14 February 1990

⁸³ Urban Foundation (1988) Private Sector Council on Urbanisation, Working Group on Rural Development. Resource Document, March 1988, pp 76. Question: "Would the entry

critical of white farming inefficiency and has shown that black farmers operating within severe constraints have efficiently used their limited resources. Furthermore, their analysis of white farming shows a greater land use intensity on smaller farms and a larger number of employees per hectare.⁸⁴ In general they support a black small holder farming policy because of its potential for economically effective farming and employment creation. Their approach is based on a number of assumptions and pro-active steps which would have to be taken to give effect to their strategy. Firstly, they assume a shift in political lobbying power which will substantially alter black access to state support. Secondly, they assume that South Africa's inflation rate will fall and that this will bring down the price of land to a more affordable level. They recommend: (i) changes in resource allocation to ensure that emergent black farmers can market their produce, (ii) availability of finance to black farmers for land purchase, (iii) new specialised institutions to provide access to credit for purchasing inputs, (iv) extension of research and training, (v) the representation of black farmer interests on marketing boards and marketing and supply cooperatives. (vi) change in the permit and quota systems to include black farmers (vii) the introduction of a land tax to encourage productive land use and bringing market values of land closer to production values.

The DBSA is critical of farmer settlement programmes⁸⁵ as a direct result of their experiences. Instead they argue for farmer support programmes. Their past settlement projects involved land acquisition, extensive infrastructural investment, extension, demonstration, research, provision of inputs, training, management and the project operated as an corporate entity disconnected from the surrounding socio-economic environment.⁸⁶ Support programmes focus on farmers who have already obtained rights to land (and it assumes that the state

of non-white farmers to white farming areas have a disastrous impact on agricultural production?" Answer: "Some farms are likely to be farmed worse and some better by non-whites . . . if 10% of the current white farmed land taken out all over the country disappeared from farming entirely it would have no significance as far as the availability of sufficient food is concerned . . . in many parts of the country . . . white operated farms are only producing a percentage of what could be produced under top management."

⁸⁴ Table 15, "Factor Intensities in Agriculture, 1988" Information presented by the DBSA at a consultation meeting 26 October 1990 between the ANC Land Commission Secretariat and DBSA.

⁸⁵ Fenyes, T.I., C.J. van Rooyen and N Vink. (1989) "Budgetary Implications of Affirmative Action in South African Agriculture." mimeograph.

⁸⁶ *ibid* p3.

has not incurred land purchase expenses)⁸⁷ and advises a modest establishment support for fencing and buildings. The greater emphasis is on setting up the services so people can buy inputs, rent machines and market their produce. The policy focuses on providing "equality of opportunity" (wherein) "Access to opportunity via resources must include the provision of goods by means of public capital in which citizens have entitlements."⁸⁸

The DBSA policy is therefore a cost cutting policy. It supports user charges and aims at a financial replicability of a sort that it could not itself achieve when pursuing the farmer settlement programme. One of the policy proposals weaknesses is that it chooses to ignore the major constraint identified analyses of why land is unused i.e. no money to purchase inputs and labour (see Chapter 5.3.). Setting up "equality of access" can be meaningless when people have no money: currently rural families use remittances to buy inputs and consume most of what they produce. Credit availability, producing for sale, and credit repayment are among the major issues not discussed.

In relation to access by black farmers to land, the DBSA rejects large scale state acquisition of land for redistribution as too costly⁸⁹ and proposes several alternative ideas.⁹⁰ (A) State land: Small farmers could buy their own portion of the 2 million hectares of SADT land which has not be distributed. DBSA suggest that prices should be adjusted to reflect the production potential and the shortfall should be written off. (B) Sequestered land: if the debts of the white farmers are called in.⁹¹ Again the DBSA suggest that mortgage bonds be

⁸⁷ *ibid.* The comparative budgets drawn up omit land purchase expenses for farmer support programmes. It is assumed that farmers will have obtained land via a separate process presumably (subsidised) land purchase. The programmes also implicitly deals with the emergent black entrepreneur rather than household production/small marketable surplus farmers.

⁸⁸ *ibid* p.1.

⁸⁹ Christodoulou, N.T and N Vink, (1990) p23, "Official estimates of the value of farmland in South Africa (excluding the homelands) came to R44 billion in 1988 although this is widely recognised as an underestimation. DBSA's own estimate of the value is in the order of R100 billion, including fixed improvements. Experience with the Trust Land transfer programme also shows that when the state starts buying land, the land values increase. Transferring 25 per cent of the land in three years will cost between R11 billion and R25 billion depending on whose estimate is accepted. It is hard to believe that either of these amounts can be regarded as a practical possibility in the short term."

⁹⁰ see Lund S, (1990) p 14.

⁹¹ Christodoulou N. T. and N. Vink, (1990) p24. "DBSA's own estimate is of 1 000 farmers in arrears to the Department of Agricultural Development (including the Agricultural Credit Board)." Similar 'guestimates are made in relation to debt owned to the

made available for black farmers, the assumption being that blacks will either farm more profitably or they will accept a low personal income in order to pay off the bond. (C) Church land: the suggestion is that the church integrates farming communities onto its land. This assumes a church disposition which is not yet manifest. (D) State land/Historical land claims: this is really the same land as in (A) i.e. where the state is still in possession of land which it obtained through forced removals (eg.. Western Transvaal) the land should be returned to the people. But Government sales of this land to white commercial farmers after the 1991 White Paper on Land Reform shows an unfavourable disposition towards this idea. (E) Urban areas: 850 000 hectares is zoned as smallholding land for whites around urban areas. The DBSA noted that small holder market gardening is a realistic option and imply that these areas should be targeted for black settlement. How the blacks are to get the land is not discussed. (F) While the DBSA recognises that the opening up of tribal land for purchase is complex, the privatisation of tribal land should amount to a long term goal. Experience with farmer support programmes shows that as production becomes commercial an informal market develops. (G) black purchase of former white land in an open, non-racial market. Problems associated with this option are not seriously explored.⁹² "The extension, to include black farmers, of the financing facilities of the Land Bank and Agricultural credit Board probably represents the most sound approach to affirmative action for those who wish to buy land. Experience had shown that the constraint lies in the access to finance for land purchase rather than in its costs." What is glossed over is the issue of solvency. Is the DBSA envisaging 100% bond schemes and if so what about their own analysis of solvency problems which suggest that farmers themselves need to put down high portions of the capital outlay for farm purchase (70% cited for arable farmers, higher for livestock)

Lund in assessing the DBSA proposals writes, "The DBSA concludes that the implementation of all the transfer models proposed (excluding bantustan restructuring and the willing buyer/willing seller market), will immediately make at least 8 million hectares available for transfer at a cost to the state of between R1 000 - R2 000 million." However my own comment is that (a) the 8 million hectares is mostly not additional land for blacks but signifies a paper

commercial banks. But I think these land quantity estimates may be severely over-estimated as the median farmsize is only 500 hectares. The high average is due to extensive grazing farms. Many of the indebted farmers are arable farmers.

⁹² Christodoulou N. T. and N Vink, (1990) p.18.

transfer of ownership: the ratio of black to white owned land would not change significantly. and (b) only the area from sequestrated whites is significantly new but is overestimated. Vink and Christodoulou have used an average farm size of 1280 ha to estimate the amount of sequestrated land to be made available from 2000 sequestrated farmers. But they elsewhere point out that the median farm size is 500 ha; the average is influenced by the extensive pastoral farms.⁹³ As many indebted farmers are grain farmers I argue that it would be more realistic to use the median rather than the average farm size. This makes a 1.5 million hectare difference!

The DBSA logic is ultimately as follows, $a + b + c = d$, where:

- (a) "white agriculture is unsustainable and traditionally inflexible"⁹⁴
- +
- (b) "There is sufficient evidence that this (subsistence) farming system is neither efficient, equitable, nor sustainable."⁹⁵
- +
- (c) "... market orientated farmer support programmes (which) highlighted the ability of black smallholder farmers to efficiently use agricultural resources. . . provided with a package of (appropriate) support services. . . are at least as efficient as their white counterparts, and that their potential to provide job opportunities and optimally utilise labour is encouraging."⁹⁶
- =
- (d) a selective black commercial farmer approach.

The term "smallholder" used by Christodoulou and Vink is therefore misleading. Many use the term "smallholder" to include millions of women cultivating their small plots to contribute to family food needs. This is a far cry from the selective black, principally male, entrepreneurial approach described by the DBSA managers. The DBSA papers do not adequately address what is to happen to the millions of cultivators and aspirant landless who fall into the "subsistence farmer" category. This is a key issue and marks the crucial point of difference with the policy preoccupation of the ANC.

⁹³ *ibid*, p6.

⁹⁴ *ibid*, pp. 27-28.

⁹⁵ *ibid*, pp. 13-14.

⁹⁶ *ibid*, p. 28.

1.2.(iv) The implications of the Government, DBSA and ANC proposals.

The National Party line supports a free market policy in keeping with the dominant thrust of the international financial institutions and domestic strategies in most of the Northern world economies. The government privatisation policy is consistent with this economic strategy and the 1990 attempts to privatise trust land and communally held land indicate the slender commitment to economic transformation involving real redistribution. Their goals are a political reform which annuls the 'civilised' world's horror of institutionalised apartheid, seen as an anachronism in the final decade of the twentieth century, and to establish privatisation to the extent that a neo apartheid economy will persist in which white capital interests remain intact.

The limitation of the DBSA approach is that it fails to spell out the tensions and contradictions of a land distribution policy in an agrarian economy which may continue to be dominated by agribusiness capital. It does not adequately address the issue of millions of subsistence farmers and unemployed. It assumes that black commercial farmers will farm a smaller land area than their outgoing white counterparts and be satisfied with a lower personal income.

The National Party government might itself, on the terms suggested by DBSA, welcome black commercial takeover of some 40 thousand less profitable white farming units. It would cure one of the regimes' major political and economic headaches i.e. the pressure to support white farming incomes. Furthermore the proposals carry minimum state costs, the implications are that black farmers entering the sector will obtain commercial loans (possibly subsidised) to buy out the whites. This is even cheaper than the implementation of the Zimbabwe Lancaster House agreement in which the state incurred heavy costs buying out whites at a willing buyer/willing seller basis to be able to make land available for resettlement.

A preview of the possible scenario which might result from the restructured agrarian capitalism implicit in the state and parastatal proposals is that of a dualist economy in which there is:

* a continuation and consolidated domination of agribusiness farming. The trend towards bankruptcy of small scale commercial farmers would continue although its pace might be slowed down by a strata of black farmers who accept a lower living standard than their white predecessors.

* a continuation and multiplication of smallholding production in which:

(a) smallholders can produce certain food and raw materials for industries of better quality or more cheaply than large complexes. Attention is drawn to small holding sugar production organised by the South African Sugar Association (SASA).⁹⁷

(b) small holders can produce cheap food for industrial workers and therefore subsidise the production costs of industrial capitalists by keeping down the price of workers' food. This could lead to the Latin American model in which rural producers, receive low prices for their produce and as a result are forced to go in for super "self-exploitation" as they work excessive hours on poor land to maximise their total income.⁹⁸

Land Reform within this framework cannot respond to the demands made by the people of South Africa for economic justice. It has been called "reformism"⁹⁹ as in essence capital is simply realigning its strategy for greater efficiency and profit. An "affirmative action" agricultural policy, such as that proposed by the DBSA, does not adequately define what the role should be of black producers in a future South Africa. Neighbouring states and especially Latin American countries provide examples of land distribution "reforms" in

⁹⁷ Cooper, D. (1990) p.15 describes the scheme as "probably the most successful stimulus to peasant agriculture"; SASA "made available finance to (some 8000) peasant growers, encouraged sugar mills to provide the necessary infrastructure . . . flexible labour demands accommodate migrancy and there was . . . an assured market".

⁹⁸ De Janvry, A. (1981) provides an extensive analysis of not only how Latin America small holder producers subsidise foreign and domestic capital in Latin America but also how commercial farming exports cheaply imported into the "North" are an example of Southern domination by more powerful capital. See especially pp32-40 the section on the "Contradictions of Accumulation in Disarticulated Economies."

⁹⁹ *ibid.* de Janvry points out that in Latin American "radical" reforms where for example a ceiling was placed on the amount of land held by an enterprise then the subsequent enterprise rearrangement led to an obligatory and effective modernisation process as all means of production were then centered on the remaining best lands. Peasant beneficiaries received the remaining less productive lands where they could continue their own super self exploitation eking out produce through long hours of family labour.

which rural dwellers become second class "discarded people" in their urban industrially biased economy.

The DBSA policy indicates a concern with agricultural efficiency and market orientated agriculture within a deregulated market setting. It however, recognises that many potential efficient producers, especially blacks, do not have access to land and means of production. As bankers, concerned with assessing rates of return for financial investment, they are critical of the agricultural project settlement models which they, in the past pursued in the bantustans. Their alternative proposal is a "*promotional*" approach to create an "equality of opportunity. . . which must include the provision of goods by means of public capital." The DBSA, therefore, acknowledge the necessity for some corrective intervention to correct "further inefficiencies through market failure where the initial distribution of assets is highly skewed, as is the case at present."¹⁰⁰

The DBSA is cognisant of policies in neighbouring states. It is aware of Zimbabwe's own review of its settlement programme which is criticised for having targeted the landless, the disadvantaged, the unemployed and therefore cannot be expected to perform well economically.¹⁰¹ Zimbabwe is now increasing its efforts to a farmer support approach which identifies the market orientated entrepreneurs.

The DBSA similarly aims to put in place farmer support projects either in existing black rural areas or for 'new farmers on new land'. The DBSA proposal does not envisage major state assisted land redistribution; blacks should gradually obtain land, either individual title through privatisation of land in the bantustan or through sales and auctions of what is now 'white' land. Thus the challenge is to create opportunities for black small scale entrepreneurs to operate effectively. This policy thrust is also weighted by economic and social considerations, (i) of the employment role of agriculture in the economy especially when all backward and forward linkages are included and (ii) the fact that smaller producers farm land more intensively and use more labour.

The ANC proposal is ambitious as befits a liberation movement. The proposal envisages a long term transformation of the countryside. It does not

¹⁰⁰ Feynens, T.L., C. J. Van Rooyen & N Vink, 1989, p.1

¹⁰¹ Cusworth, J. & J, Walker, 1988.

envisage dramatic transformation overnight. The ANC's Land Commission does not envisage the state becoming the major land-owner by taking over large numbers of white farm and turning them into state farms and cooperatives. The current discussion document¹⁰² sets out an "arbitration/inducement" policy; it intends to set in motion a process to correct historical injustices and advance a series of economic policies which favour small holder producers, cooperatives and joint enterprises. Companies will be pressured to change both their managerial practice and their social development contribution. The ANC cannot afford politically to support a land reform programme which is limited to a NAFCOC (National African Federated Chambers of Commerce)¹⁰³ type of approach to assist black entrepreneurs. This would be inconsistent with the espoused philosophy from which it draws its popular support. The ANC has to take on board an all embracing programme which provides opportunities for the most disadvantaged; the women, the landless unemployed as well as the entrepreneurs.

The implementation of successful land reform requires administrative and financial replicability. The government and DBSA proposals assume much the same institutional infrastructure as exists at present, with some additional budgeting for affirmative action and possibly some reallocation of resources. . i.e.. the savings from cuts in subsidies to white farmers could be transferred to farmer support programmes. Administratively the ANC proposal requires the following:

(i) the existence of a skilled bureaucracy supportive of the proposed transformative changes.

(ii) the establishment of criteria for making difficult decisions. Recent innovative work has developed a matrix of degree of ownership and identity of ownership as a guide to defining land rights. ¹⁰⁴

(iii) If the measure of the productive value of land emerges as a regulatory tool for a non-speculative agricultural land market, valuation technicians will be needed. The Land Bank has some personnel but the problem

¹⁰² ANC 1990 (b).

¹⁰³ NAFCOC, a strong grouping of black businessmen, some of whom are now joining the ANC. For an insight into their history and politics. See Z. P. Jordan, "The African Petty Bourgeoisie: A Case Study of NAFCOC 1964-1984."

¹⁰⁴ Budlender, G. & Latsky, J.(1990)

arises of the professional integrity of a bureaucracy trained in another political era. The Philippines, for example, has experienced several outrageous valuation scandals within the land reform programme. If FAO/UNDP assistance programmes are developed in a post apartheid future, a training programme in valuations (following the Swedish experience) could be of vital importance.

(iv) A land reform policy requires considerable financial investment if it is to be effective. Although some people may acquire land through credit arrangements, others may have to depend on a state land grant for which finance will have to be found since the ANC favours compensation for outgoing farmers.¹⁰⁵ Further finance is required to ensure that land reallocation is effective; it may be unproductive unless accompanied by a training programme, investment in infrastructure to serve small scale farmers together with a modified marketing system.

¹⁰⁵ ANC (1992) The policy guidelines adopted favour "just compensation"

Chapter Two. Agricultural Land Valuation: Theory, Methods and Debate.

For centuries attitudes to land, and payment for its use, have been fiercely debated. Diverse attitudes to the nature of land and rent are the basis for differing land policies. For example the perception of land as "a gift of nature" or a "factor of production" or as a manifestation of the social relations of production is of special relevance to countries in which the current *status quo* of land ownership is challenged. The scarcity of land as an endowment in fixed supply provides, for some, a justification for government intervention to control land access and land prices.¹⁰⁶

Land nationalisation in Southern African countries popularly symbolises a radical change in the balance of power on achieving majority rule. Black rural communities in South Africa advocate agricultural land nationalisation not so much in terms of abolition of the land market but rather in terms of dispossession by the colonisers and repossession by black indigenous peoples. This does not always have a great deal to do with transforming relations of production; aspirant black entrepreneurs might expect to benefit most from such nationalisation.

Land nationalisation in Zambia has had a different rationale and applicability. Zambia nationalised the natural properties of agricultural land. This stems from an attitude that land-owners should not profit through their monopoly of a "god-given" resource. However once the virgin land is developed it becomes acceptable to trade in improved land and land valuation firms are used to assess the value of the improvements.

Land nationalisation in Mozambique, following the tradition of measures taken by the Soviet Union, the Eastern European block, China and Cuba, was intended as a prelude to the transformation of productive relations. Land rentals and markets were understood as manifestations of capitalist social relations of productions and detrimental to a progressive development of society free of such exploitative economic relations.

¹⁰⁶ This point of view is informed by various experiences and considerations. (i) The state should not acquire land unless there is an demand for it in that location. (ii) People with specific land claims may be expected to actively pursue these but beyond that there is the issue of million of unemployed. In neighbouring states a forced 'back to the land' policy has been tried. (See Hanlon, 1984, pp. 244 -249) It is felt that this is unacceptable. It was felt that the economic terms of trade and living conditions in the rural areas needed to prove themselves attractive and then the state should facilitate land acquisition

But even countries which do not have radical attitudes towards transforming relations of production, for example Canada and Sweden, have given land a constitutional status different from that enjoyed by other forms of productive property. Some activists in South Africa are similarly arguing for a special status for land and for expropriated land owners to receive a negotiated land price reflecting "just compensation" rather than the market price of land.¹⁰⁷ Advocates of this position indicate that they find the productivity valuation of land (as assessed by the Land Bank) as an acceptable basis for negotiating compensation.¹⁰⁸

Different attitudes towards land nationalisation, land price and its constitutional status of landed property can be linked to different theoretical schools of economic thought. Many economic theoreticians have supported agricultural land nationalisation or taxation on rent. Marx's position on nationalisation is well known; it represents a challenge to private land ownership and exploitative capitalist relations of production. But Ricardo and many classical economists including Marshall, an early Neoclassicist, also discussed interventions which would decrease landowners' earnings from rental income in the larger interests of society.

The first section of this chapter reviews the contributions of Ricardo, Marx and Marshall who, from differing theoretical perspectives, conclude that rent is an appropriation of surplus to the detriment of the larger society. Various elements are contested in different concepts of rent: rent as stemming from monopoly ownership, or from natural properties or as deriving from the differential quality of land and differential levels of investment. In the second section I review the neoclassical economists' approach to rent as an expression of the reward of a factor of production and the different methods of productivity valuation which they have devised to assess marginal productivity for comparison to actual rentals.

2.1. Rent theory: main elements in different concepts of rent

Ricardo, Marx and Marshall while sharing a general view of rent as surplus appropriated by the landowners to the detriment of society, differ in their approach to the concept of rent and the location of the surplus from which rent derives. Section (i) examines their different conceptual approach to rent, (ii) their differing ideas on the source of rent. I then (iii)

¹⁰⁷ ANC. 1990c. p24. "just compensation" involves the concept of seeking a balance between private and public interests.

¹⁰⁸ Klug, H. 1990. p10. as well as personal communication with Klug, Law Faculty Witwatersrand University and member of the ANC Land Commission Secretariat.

examine in more detail their discussion on rent deriving from differing land quality as well as (iv) Marshall and Marx's acknowledgment of rent also deriving from land improvements. I then review why each of these major economists supported intervention in the status quo of land rents and/or ownership of land.

2.1. (i) Perceptions towards land and rent

The classical economists, Ricardo, Mill et al., treat agricultural land as an extraordinary component of the production process. Land, for them, is a "free gift of nature" in fixed supply and distinct from capital items such as manufactured means of production. Marshall, an early neoclassical economist, also treated land as having qualities different from manufactured capital. He agreed with Ricardo that no surplus can be reaped from the ownership of those of nature's gifts which are (practically) in unlimited supply such as air and water. It would not be possible to charge for land use if it were in unlimited, equally fertile and equally accessible supply. It is land's limited quantity and variable quality which makes a rent levy possible.¹⁰⁹

For Marx rent is a manifestation of landed property relations in, for example, a capitalist economy. Marx thus treats the "rent levy" as resulting from social causes rather than land's natural, differential quality and finite supply. He calls attention to privatisation of property as the social process which permits rentals and land markets to evolve. The appropriation of land by individuals is historically accompanied by a legal process which enshrines private property rights to land. Land for capitalists becomes a commodity and "the legal view itself only means that the landowner can do with his land what every owner of commodities can do with his commodities."¹¹⁰ For Marx "rent (is). . . the economic realisation of landed property, of legal fiction by grace of which certain individuals have exclusive right to certain parts of our planet. . ."¹¹¹

Land can earn a rent only because it is owned and is a condition of production. Private ownership of land, "landed property" is the result of a historical process and an initial prerequisite for establishing the social relations of production necessary to the development of capitalism in agriculture. Ownership of land whether by landlords, business enterprises,

¹⁰⁹ Marshall A, 1988, pp 120-121. Book IV, Chapter 2.

¹¹⁰ Marx, K. 1962, "Capital" Vol 3, p 616

¹¹¹ Marx, K. 1962, "Capital" Vol 3, p.634.

institutions or owner occupiers permits the levy of rent for the use of land. Rent, therefore, is an economic expression of specific social relations and quite unlike the non-Marxist concept of rent as a return based on the monopolisation of a commodity.

"The fact that capitalised ground rent appears like the price or value of land, so that land, therefore is bought and sold like any other commodity, serves some apologists as a justification for landed property since the buyer pays an equivalent for it, the same as for other commodities; and the major portion of landed property has changed hands in this way. The same reason in that case would justify slavery, since the returns from the labour of the slave, whom the slave holder has bought, merely represent the interest on the capital invested in this purchase. To derive a justification for the existence of ground rent from its sale and purchase means in general to justify its existence by its existence."¹¹²

Marx thus describes the process of reification of land value, wherein land (which is valueless in the absence of any embodied labour) attains a monetary value through privatisation and a legal status of inviolable property.

2.1. (ii) Rent - differing ideas over source.

Ricardo's specific conception of rent is that it is the payment for the use of natural quality of the land. He excludes the return on any investment in land improvements. "Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil. It is often, however, confounded with the interest and profit of capital, and, in popular language, the term is applied to whatever is annually paid by a farmer to his landlord."¹¹³

Marshall's concept of rent is more embracing, and he takes full account of improvements to land in his theorisation of rent. For Marshall those "free gifts of nature which Ricardo classified as the 'inherent' and 'indestructible' properties of the soil, have been largely modified; partly impoverished and partly enriched by the work of many generations of men."¹¹⁴ Full rent must therefore consist of rent derived from the "inherent properties which land derives from nature, and the artificial properties which it owes to human action."¹¹⁵ Marshall distinguished these two rental components and referred to them as (true) rent and "quasi-rent"; "the income (or quasi-rent) derived from those improvements, together with

¹¹² Marx, K. 1962, "Capital" Vol 3, p624

¹¹³ Ricardo, D. 1949, p33

¹¹⁴ Marshall, A. 1988, p122.

¹¹⁵ *ibid.* p123

that due to the original qualities of the soil constitutes the producer's surplus or rent. "

Ricardo places a further limitation on what he considers as rental source when he takes the position that the landowner cannot command rent from the last dose of capital invested including from the tenant organising agricultural production on the "worst soil." He is of the opinion that "When, in the progress of society, land of the second degree of fertility is taken into cultivation, rent immediately commences on that of the first quality, and the amount will depend on the difference in the quality of these two portions of land."¹¹⁶ He considers three qualities of land No. 1, 2, 3, which are supposed "to yield with an equal employment of capital and labour, a net produce on 100, 90 and 80 quarters of corn." Ricardo explains that, in his view, if No.1, is in abundance there will be no rent, as soon as it is necessary to cultivate No. 2, then a rent of ten quarters will begin on No.1, with No. 2 paying no rent. "In the same manner it might be shown that when No 3 is brought into cultivation, the rent of No 2 must be ten quarters, or the value of ten quarters, while the rent of No 1 would rise to twenty quarters. This is because there must be the same rate of profit on agricultural capital; "the cultivator of No. 3, would have the same profits whether he paid twenty quarters for the rent of No.1, ten quarters for the rent of No.2, or cultivated No. 3, free of all rent."¹¹⁷

For Marx rent has composite features due to monopoly, differing land quality and varying levels of investment. But essentially rent represents the appropriation of surplus. Hence Marx agrees with Ricardo that one source of landowners' surplus derives from differing land quality and also with Marshall that land improvements are also reflected in rental levels. But the areas of divergence are considerable. Firstly Marx disputes Ricardo's position that landlords will not be able to command a rent from producers operating on the worst quality soils. Marx makes the obvious point that if the tenant is not prepared to pay a rent then the landowner has no incentive to enter into a contract to permit the land to be used. This primary element of the rental composite is described by him as absolute rent.

Marx considers the situation of the "worst soil" type on which it would be possible for a capitalist tenant farmer to achieve an average profit on his investment if no rent payment were to be made. However as Marx points out, this "is by no means a basis for the landlord to lend his land

¹¹⁶ Ricardo, D. 1949, p35

¹¹⁷ *ibid.* p36.

gratis to the farmer and to become so philanthropic as to grant credit gratuit for the sake of a business friendship".¹¹⁸ Therefore before any land is brought into production a rental payment must be obtainable and this requires the establishment of a surplus profit which can be appropriated by the landowner distinct from a differential rent which arises from the difference in fertility of various categories of soil.

But Marx's major divergence from Ricardo and Marshall is his approach to the concept of rental origin. Both Ricardo and Marshall identify rent as deriving from the land; the former considers only the original soil properties the latter also takes into account land improvements. For Marx however comprehends a process of rental extraction which is part of a process connected with the struggles inherent in capitalist social relations of production which themselves influence rentals. Obviously capitalist tenant farmers will expect to receive at least the average rate of profit on their capital otherwise they will invest elsewhere, mobility of capital and skills permitting. The landowner expects to appropriate the excess surplus value produced as a result of differing land conditions.

Marx examines rent as the landowners' combined appropriation of surplus which may even include average profits. Marx cites instances within the context of the capitalist mode of production where the extraction of rent would lower the sum shared between profits and wages which would, therefore fall below their real average. He states that the link between wages and rents is described by capitalist farmers themselves at points in farming history when landowners have increased their rental share. For example, capitalist tenant farmers in the first part of the nineteenth century complained that it would be impossible to raise agricultural wages unless ground rent were reduced at the same time. For Marx, "therein lies the confession that under the head of ground rent there is a deduction of the labourers' wages which is handed over to the landlords."¹¹⁹ In 1865 Fawcett, the Cambridge professor of political economy, made the point at the Social Science Conference in Gt Britain, "The labourers were beginning to emigrate, and farmers were beginning to complain that they would not be able to pay such high rents as they have become accustomed to pay because labour is becoming dearer in consequence of emigration."¹²⁰ Marx's concludes, "Here, then, high ground rent is directly identified with low

¹¹⁸ Marx, K. 1962, "Capital. Volume III", p750

¹¹⁹ *ibid*; p 628

¹²⁰ *ibid*, p.629

wages. And in so far as the level of land prices is determined by this circumstance increasing rent, a rise in the value of land is identical with a depreciation of labour, the high price of land is identical with the low price of labour.¹²¹ Marxist propositions are confirmed in various neoclassical studies (See Part 2.2(ii) of this chapter which compares tenants' low net income, below the logarithmic calculation of their productivity, because of the expense of high rentals. This reality which is inconsistent with neoclassical theory is explained by its protagonists as originating in "market imperfections".

Discussing farmers' acceptance of a lower average profit due to rental payments Marx draws on Morton, a real estate agent and agricultural mechanic. Morton refers to leaseholds of 30-34 hectares which are not large enough to use a horse and plough and where, unless the capitalist tenant farmer "works with his own hands as laboriously as any labourer, his farm will not keep him. If he entrusts the performance of work to workmen while he continues merely to observe them, the chances are, that at no distant period, he will find he is unable to pay his rent."¹²²

Marx then develops the idea that this payment of "lease money" should not be considered as "real rent":

If the farmer pays "lease money" which constitutes a deduction from the normal wages of his labourers, or from his normal average profit, he does not pay rent, i.e. an independent component of the price of his commodities distinct from wages and profits. We have already indicated that this continually takes place in practice. . . however, no real rent is paid in spite of the fact that lease money is paid."

"Real rent" appropriated by landed property is, in principle, taken from surplus profits. If rent is obtained by forcing the rate of profit for capital invested on land below the normal rate of return for capital, the capitalist tenant farmer will, mobility permitting, take his capital elsewhere. Similarly, if the wage is below normal, wage labour will seek alternative employment. But conditions of mobility are not perfectly fluid. Farmers have specific knowledge of deployment of capital in agriculture which may not be applicable to another industry. Workers may not have alternative employment possibilities; on the other hand farm-workers' organisation may result in their winning a wage increase. Conditions of class struggle are also therefore a determinant of the level of remuneration.

¹²¹ *ibid*, p.629

¹²² *ibid*, p.630

2.1. (iii) Rent: derived from differential quality of land.

The Ricardian model developed the theory of differential rent. He compared the application of units of capital and labour to differing qualities of land. He related his study to a situation of increasing demand for food in a closed domestic economy which would gradually necessitate farming relatively less fertile soils. His tenet was that rent can only exist if land is in scarce supply;¹²³ the amount of rent accruing to the landlord depends both on the price of the produce and the quality of land. Ricardo therefore does not treat rent as a "cost" affecting the price of the product. He states, "Corn is not high because a rent is paid, but a rent is paid because corn is high."¹²⁴ He illustrates his point by discussing demand for corn in relation to land of three different qualities. For example: these three land qualities 1, 2, and 3 can yield "with an equal employment of capital and labour, a net produce of 100, 90, and 80 quarters of corn."¹²⁵ Ricardo assumes that units of capital and labour will be applied to fulfill an equalisation of the common rate of profit by the tenant farmer. However, the differential output, due to the differential land quality, will be claimed by the landlord.¹²⁶

The differential land principle was then combined with the principle of diminishing marginal return. West explained, "Each additional quantity of work bestowed on agriculture yields an actually diminished marginal return."¹²⁷ The "additional quantity of work" actually refers to a single homogeneous quantity of capital and labour" as applied to land in successive increments. The theory of differential rent rests on the phenomenon of diminishing returns: as the use of an input is increased while holding the quantities of other inputs constant, the average and marginal yield of the additional input must eventually fall. Ricardo considers the application of unit-doses of capital-labour equivalent to £1000 being employed in agriculture with varying land quality. He makes the point that before capital is applied to land of inferior quality it must not be

¹²³ Ricardo, D. 1949. p34.

¹²⁴ *ibid.* p38.

¹²⁵ *ibid.* p35.

¹²⁶ *ibid.* p36, "...rent is always the difference between the produce obtained by the employment of two equal quantities of capital and labour. If, with a capital of £1000 a tenant obtains 100 quarters of wheat from his land, and by the employment of the second capital he obtain a further return of eighty-five, his landlord would have the power, at the expiration of his lease, of obliging him to pay fifteen quarters or an equivalent value for additional rent; for there cannot be two rates of profit."

¹²⁷ A lesser known economist, Anderson, first wrote about the marginal principle but it was only after 1815 when West and others produced pamphlets that the discussion gained a widespread exposure.

able to be employed more productively on those lands which are already in cultivation. "It may perhaps be found that by doubling the original capital employed on No. 1, though the produce will not be doubled, will not be increased by 100 quarters, it may be increased by eighty-five quarters, and that this quality exceeds what could be obtained by employing the same capital on land No.3."¹²⁸

The classical model is therefore developed combining capital and labour as one factor and discussing its increased application to society's fixed supply of land. However as land differs in its quality the return to investments of capital and labour will differ. The first "dose" of capital and labour applied to the most fertile piece of land is referred to as the "intensive" yield (or margin). The investment on successively inferior pieces of soil is referred to as the "extensive" yield (or margin).

Mobility of capital and the process of competition are assumed to ensure that the yield of the last unit of investment on each piece of land will be equalised. Farmers, therefore, will be willing to pay a higher rent to landlords whose land produces a higher yield up to the point where all units are providing the same net return. Stated otherwise, assume the cost to the investor of a unit of capital (including normal profit) and labour is X. Investments will be made wherever the yield, Y, to each unit of investment applied is greater than X. However the law of diminishing marginal returns itself implies that the additional yield resulting from each additional "dose" will itself decline. The investor will stop applying "doses" of capital and labour at the point where the additional incremental yield is equal to the cost X. The generated surplus will be divided between landowner, farmer and workers. The portion obtained by the landlord will be based on differential quality of land and hence the differential (and diminishing) return to incremental "doses" of capital and labour.

Marx analyses the actual rent payment as a composite of different kinds of rent and maintains that there will be several influencing factors. Any change in these factors will effect a change in rent levels. Marx identifies three kinds of rent, differential rent I, differential rent II and absolute rent.

He reasserts the existence of absolute rent as preceding rent derived from differing land quality. This demand for rent as a precondition for land use has been interpreted as a monopoly rent. But for Marx all rent is in fact

¹²⁸ Ricardo, 1949, p36.

monopoly rent in the sense that without monopoly of land ownership there would be no rents." . . . differential rent presupposes the existence of a monopoly in land ownership, landed property as a limitation to capital, for without it surplus profit would not be transformed into ground rent nor fall to the share of the landlord instead of the farmer."¹²⁹

My concern here therefore is to distinguish the nature of absolute rent from differential rent I and differential rent II in Marx's rent theory.

" . . . differential rent has the peculiarity that landed property merely intercepts the surplus-profit which would otherwise flow into the pocket of the farmer. Landed property is not the cause which *creates* this portion of price, or the rise in the price upon which this portion is premised. Landed property is here merely the cause for transferring this portion of the price from one person to another, from the capitalist to the landlord."

Marx's differential rent I is essentially the same as Marshall's "true rent" and Ricardo's identification of rental source in so far as both describe the variability of land rents as determined by the quality and situation of the farmland. The supposition is that if equal amounts of capital are applied to equal plots of land differing in quality than landowners will charge rent according to the differential productive capacity of the land.

Marx illustrates his point by comparing the production of a commodity using steam power produced by coal compared to production using energy provided by harnessing the natural properties of a waterfall. The average capital used across the industry generally using steam power technology is 100 and the average rate of profit is 15% giving the price of production of 115. However the capital used up by the capitalist using the waterfall is only 90. So the owner of the waterfall can take 10 for rental use of the waterfall with the average profit of the capitalist still remaining at 15%.¹³⁰ Marx describes this phenomena as the ability of landowners to reap the benefits of surplus profits which are due to natural properties of the soil. They are of a different order to the surplus profits accruing to the first users of technical innovations who achieve only temporary surplus profits for the limited period that it takes for the new technology to be adopted throughout the industry. Marx reaffirms that although agricultural rent is taken from surplus profits such profits are not themselves the origin of rent, the origin is the existence of landed property:

¹²⁹ Marx, K. Vol III, p 751.

¹³⁰ Marx, K. Vol III, p 641.

"The natural force is not the source of surplus profit, but only its natural basis because this natural basis permits an exceptional increase in the productiveness of labour. . . This surplus profit would also exist if landed property did not exist. . . landed property does not create the portion of value which is transformed into surplus profit, but merely enables the landowner. . . to coax this surplus profit out of the pocket of the manufacturer and into his own."¹³¹

For Marx the precondition for this type of rent is merely the inequality of different kinds of soil and not necessarily the movement towards worse and worse soil assumed by the classicists. The worst soil does not literally mean the least productive soil available: it means the land offering the minimum conditions for the crop to be produced while earning average profits. If the price of a product were to fall, the worst land could well be withdrawn from production or an alternative use sought for it. Hence the definition of "worst land" will change according to changing prices and profitability of production of various agricultural products.

2.1.(iv) Rent: incorporating differing levels of investment and land improvements.

Marshall's concept of full rent is made up of income deriving from the original properties of the soil as well as from improvements. In his discussion of land valuation (see 2.3.) he argues that the value of land reflects the human labour invested in it to bring it to its present productive condition. His view of land value implies that the greater part of land rent is probably due to improvements.

Marx's differential rent II addresses the issue of different rates of accumulation on land, of capital investment and technical innovation leading to an improved productive capacity. Marx never separates differential rent I and differential rent II except for analytical purposes. It would be a fruitless attempt to try to quantify the components of rental composite, "fertility, although an objective property of the soil, always implies an economic relation, a relation to the existing chemical and mechanical level of development."¹³² But some appreciation of the effects of different applications of capital on rent is possible.

¹³¹ *ibid*, p 647

¹³² *ibid*, p.651.

The rent paid by a tenant farmer will be a composite based on land fertility and investments which have increased productive capacity. To distinguish between these two rent sources a hypothetical situation may be considered of unequal amounts of capital being invested in two farms of equal land size and fertility. The greater investment on the one piece of land leads to an increased yield and a new level of surplus profit is obtained.

The new higher level of farming profitability due to the different rate of accumulation on the farm employing increased amounts of capital permits the landlord to demand an increased rental payment. The capitalist tenants of the two farms of equal fertility but differential productivity will not pay the same rent. Thus while the capitalist tenant farmer is ever compelled to search for changes in the productive process which may lower the unit costs and give him/her temporary competitive edge, at the same time he/she is also compelled to share a part of the surplus profits with the landlord.

Surplus profits due to increased capital investment is therefore a temporary occurrence. Among those who are first to adopt cost saving technology above-average profits will only accrue until the new technology has become the generalised method of production.

When making this investment the farmer has to calculate that additional investment on a given piece of land will have a greater yield than the spread of the same capital over additional land. Marx's point in discussing additional capital investment was also that the consideration here is not the calculation of the additional increment in output accruing to the last added unit of capital but rather the concept of capital size and the fact the product of two units of capital can be greater than when they are invested separately. It leads Marx to consider capital growth and the manner in which the norms of "minimal capital" will change as capitalist development takes place. For instance combine harvesting technology may reduce reaping costs to the extent that the farmer who is unable to purchase this technology and relies on hand labour will no longer be able to produce competitively at the prevailing price. Technical improvements become consolidated in the norm.

But although this source of surplus profits only accrues to the tenant farmer during the period until a new general norm is established, the landlord may receive a permanent benefit. Marx argues that the whole of this source of surplus profit need not be eroded away but may be consolidated into a new level of rent. The greater productivity of capital on

better lands permanently increases the level of surplus profits above those produced at a lower level of capital accumulation. New norms develop of minimum capital investment and farm size. The gains from the accumulation process are long term and are capitalised into rents and the land price. The clearest example of this is provided by improvements on the land.

"... The landowner... adds the interest for capital incorporated into the land to the ground rent itself. And he does this whether he now leases the land to the capitalist farmer who made these improvements or to some other farmer. His rent is thus inflated; and should he wish to sell his land, ... its value is now higher, he sells not merely the land but the improved land, the capital incorporated into the land for which he paid nothing. Quite aside from the movements of ground rent itself, here lies one of the secrets of the increasing enrichment of landowners, the continuous inflation of their rents, and the constantly growing money value of their estates along with progress in economic development. Thus they pocket a product of their social development created without their help... this at the same time creates one of the greatest obstacles to a rational development of agriculture, for the tenant farmer avoids all improvements and outlays for which he cannot expect complete returns during the term of his lease."¹³³

In Marx's view, therefore, land improvements will be capitalised into the land price,

"Capital may be fixed in the land, incorporated in it either in a transitory manner, as through improvements of a chemical nature, fertilisation, etc. or more permanently, as in drainage canals, irrigation works, leveling, farm buildings, etc. Elsewhere I have called the capital thus applied to land *la terre capital*. It belongs to the category of fixed capital. The interest on capital incorporated in the land and the improvements thus made in it as an instrument of production can constitute a part of the rent paid by the capitalist farmer to the landowner but does not constitute the actual ground rent, which is paid for the use of land as such."

More generally, the process of accumulation, associated with increasing levels of minimum capital required to be a capitalist farmer, gives rise to the systematic and continuing differences in the levels of capital on each farm and forms the basis for differential rent II -as if the capitalisation of the value of improvements on the land (and hence increases in rent) arise from accumulation in the production process and not just in the general quality of the land.

¹³³ *ibid*, p 620

Marx points out that the landowners' gains from investments made by the capitalist tenant farmer are a source of tension. The value of the land is increased due to the improvements for which the landowner paid nothing and a higher rental is now obtainable. This situation has led to legislation in some countries which protects the tenant farmer providing a minimum period of tenancy to gain from investments, and the payment of compensation where investments have been made which will benefit the landowner after the current tenant has vacated the farm.

A rather different extension of this argument, that changes in profitability influence rent and are capitalised into the land price, is pursued by de Janvry in the introduction of the concept of "institutional rent". He notes that as capitalism develops, the struggle between sections of capital affects farming profitability as the terms of trade for agricultural products decline in comparison to goods produced in the industrial sector. De Janvry contends that the decline of the agricultural sector adversely affects the landlord class as rent levels hinge on the maintenance of surplus profits. The demise of the landlord class, however, may not be prudent especially where (as in many Latin American countries) the industrial and landlord class depend on their combined power to maintain their domination over workers. In many countries De Janvry notes that import controls, investment subsidies, price supports are common features and in so far as their effect is to raise the level of surplus profits in agriculture they may be regarded as "institutional rent" and will "translate into high land prices."¹³⁴

2.1. (vi) Rent: an impediment to the accumulation process

Ricardo specifically used his rental analysis to discuss the consequences of increases in demand for food on grain prices and subsequently the rent of land. Ricardo argued that the increasing use of land of inferior soil required to be brought into production in order to provide for greater food demand in the developing economy resulted in more expensive food. "When land of an inferior quality is taken into cultivation, the exchangeable value of raw produce will rise, because more labour is required to produce it."¹³⁵

His concern was that in a country developing manufacturing such as Britain at the time he was writing, population increases and subsequent

¹³⁴ De Janvry, A.1981, p.173

¹³⁵ Ricardo, D. 1949, p37.

increases in demand for food would lead to increased food prices and higher land rents if the economy remained closed. Ricardo disapproved of landlord's benefitting from the increased rents arguing that rental increases were of no benefit to society as a whole. He illustrated his point by again referring to the increase in price of corn through use of inferior land with subsequent rental increases. If the price of corn were to increase from £4 to £5 a quarter then a million quarters will now cost £5 million rather than £4 million. However, while this may be a creation of nominal value it is "not a creation of wealth; it adds nothing to the resources of a country; it does not enable it to maintain fleets and armies" Rent must be considered as "a value purely nominal, and as forming no addition to the national wealth, but merely as a transfer of value, advantageous only to landlords and proportionately injurious to the consumer."¹³⁶

Ricardo explored the effects of taxes on rents and taxes on land as an exploration of tools which might be used to transfer some of the rental surplus to the government. But he principally used his theoretical work on differential rent to argue the case that a country could optimise its wealth through importing cheap corn financed through manufactured exports.¹³⁷

This conceptualisation of land, and of rent as a variable share of surplus is an essential ingredient of the classical approach to distribution theory which divided society into landlords, workers and capitalists. The Ricardian model of a developing economy viewed the interests of the landlords as opposed to those of workers and capitalists. Manufacturing entrepreneurs and the classical economists generally based their antagonism towards landlords on their projection of an expanding population with an increased demand for food. The need to increase food production output would increase pressure on demand for land and require the cultivation of inferior quality soils (referred to as the inferior extensive margin). The increased demand for land would place landlords in a more powerful position than previously; they would benefit from higher rents. Landlords would thus receive an ever-increasing proportion of the surplus value of production leaving workers and capitalists to compete over a diminishing share. From the point of view of the capitalist who has to pay workers a minimum socially determined subsistence wage a real fall in the surplus would be felt by themselves. This reduction, they argued, was detrimental not only to themselves but to society as a whole because even if

¹³⁶ *ibid*, p273.

¹³⁷ *ibid*, p3. "Advertisement to the Third Edition." and p.288-289 replying to "Malthus on Rent" Ricardo was himself an "extensive landed proprietor in Gloucester and a Member of Parliament."

they reduced their personal consumption levels they could expect a net fall in the available investable surplus which would slow down the overall growth of the economy.

The Ricardian models of ground rents and the principle of diminishing returns to the extensive margin provided the theoretical basis for predicting ground rent increase in a developing society and further identified rents as a detrimental cost to society. Ricardian rent theory also provides an explicit theoretical exposition of how rents on differing pieces of land will be determined and the principles are noted as the first major exposition of the "marginal principle" in economic theory. West, Torrens, Malthus and Ricardo all produced pamphlets in 1815 which independently posited the theory of differential rent. Their theory permitted an interpretation of empirical data on temporary high grain prices and high land prices during the period of the Napoleonic wars.¹³⁸ Increased domestic food production was essential because war time conditions reduced trading possibilities. The increase in domestic grain prices altered the profitability of agricultural production and it became possible to produce grain profitably even on less fertile lands which were brought into use.

Classical economists considered they had identified the principles for the determination of the distributive share of the surplus when accrued to landlords. The rent (the residual) is treated as a differential surplus and hence determined by the price of the crop. "Rent, it is to be observed, therefore, enters into the composition of the price of commodities in a different way than wages and profit. High or low wages and profit are the cause of high or low price; high or low rent is the effect of it."¹³⁹

The issue of alternative uses of land was not dealt with by Ricardians. There is no discussion of the concept of transfer rents, (as developed by the later neoclassical economists), since all rent is perceived as 'agricultural rent'. Adam Smith had earlier noted that when the price of a certain agricultural product falls, the profitability conditions of using land for that product change and landlords might consider alternative uses of land which might improve the rent potential and hence demand a change in rent which would oblige the tenant to change his product.¹⁴⁰ The major focus of rental discussion was on the effects of using land at the "extensive" margin of less fertile land rather than identifying possible differences in

¹³⁸ Blaug, 1978. p.77

¹³⁹ Smith, A. 1917, p132

¹⁴⁰ *ibid*, pp141-146

rents depending on the type of activity (other crops, pastures) carried out on land of the same quality. Von Thunen introduced the consideration of location as well as quality as influencing the demand and therefore the rent level of a particular piece of land.¹⁴¹

For the classical economists therefore land rent derived from its scarce supply and from differences in quality (location can be considered as a quality factor). An increase in demand for land pushed up its price but without using up any greater quantity of society's resources in the productive process. The classical economists' conclusion that rent is determined by price and is not a payment for using up resources (as in the case of payment for a factor of production which is consumed and transformed in the productive process) leads to a view of agricultural rents as a parasitic phenomena which is detrimental to the development of capitalism.

The Ricardian identification of ground rent (as a return to a non-reproducible natural agent and an increasing proportion of the surplus) impeding the accumulation process was used to support ideas on taxation and land nationalisation without however disturbing the actual status quo of daily control over land. James Mill concluded that all future increments in rent should be soaked up by tax, and this could be done without disturbing the status quo. John Stuart Mill proposed that there should be a tax on "the future increment of unearned rent" by taxing the capital gains of increases in the price of land. Both suggestions leave intact the current level of income earned by landlords from ground rent and only call into question those future increments which were seen as inevitable. Henry George favoured turning land into "Common Property"¹⁴² but did not favour radical dispossession and redistribution but rather, "I propose to accomplish the same thing in a simpler, easier, and quieter way, than that of formally confiscating all the land and formally letting it out to the highest bidders" George's proposal involves a tax on all pure ground rent (exempting returns on improvements) and opposed any suggestions that

¹⁴¹ Clark. C, 1973, Chapter 1, reviews the work of Von Thunen in some detail (Von Thunen, 'The Isolated State' translated and edited by Peter Hall, Pergamon Press)

¹⁴² George. H, 1930, p234, Book VI, Ch 2, "The True Remedy", "There is but one way to remove an evil-and that is, to remove its cause. Poverty deepens as wealth increases, and wages are forced down while productive power grows, because land, which is the source of all wealth and the field of all labour, is monopolised. To extirpate poverty, to make wages what justice commands they should be, the full earnings of the labourer, we must therefore substitute for the individual ownership of the land a common ownership. Nothing else will go to the cause of the evil -in nothing else is there the slightest hope. . . We must make land common property"

landlords should be compensated for loss of future rents due to taxation¹⁴³
 "Let the individuals who now hold it (land) still retain, if they want to, possession of what they are pleased to call *their* land. . . Let them buy, sell, and bequeath and devise it. We may safely leave them the shell if we take the kernel. *It is not necessary to confiscate land; it is only necessary to confiscate rent.*"¹⁴⁴

Marshall's view on land value and his exposition on rent and "quasi-rent" is that the greater part of land rent is probably due to improvements. Land improvements mean that land acquires a likeness to any other capital asset employed in the productive process: in terms of neoclassical theorisation its marginal product will be almost exclusively the result of human labour and investments resulting in land improvements rather than due to any inherent qualities.

When discussing land value Marshall goes further to include not only the original properties of the land and the subsequent direct improvements but also the "highways and other improvements that were made for the general purposes of the country and are not a special charge on its agriculture" but from which individual landowners gain benefits which are reflected in land price and hence rental levies. Marshall accepts that human working of the land has transformed it from its virgin state and that land mostly earns a "quasi-rent". But for him there remains the element of "true rent" intrinsic to the nature of land in itself.¹⁴⁵ In his discussion on public policy Marshall discusses taxation on land rentals which increase without any investment on the part of the landlord. This occurs mainly due to locational circumstances as a town grows or as transport systems are expanded.

However, in spite of Marshall's exposition of 'quasi-rents' which is fully accepted as the cornerstone of neoclassical marginal productivity theory, he continues to invoke the character of land as a fixed resource, (whether virgin or improved) as the reason why it should not be treated in the same way as any other productive asset which is the private property of the capitalist. While "land is but one form of capital to the individual

¹⁴³ *ibid.* p287 George was responding to a proposal by Herbert Spencer (which he quotes) in which "separate ownership would merge into the joint-stock ownership of the public. . . tenancy the only land tenure. . . all men would be alike free to become tenants. . . Clearly, therefore, on such a system, the earth might be enclosed, occupied and cultivated, in entire subordination to the law of equal freedom."

¹⁴⁴ *ibid.* p288.

¹⁴⁵ Marshall, A. 1988, p358.

producer,"¹⁴⁶ Marshall states, "the fixedness of the whole stock of land in an old country" implies that "from the social point of view, land is not exactly on the same footing as those implements of production which a man can increase without limits" Marshall ultimately treats land rent as a payment made which cannot influence supply.

Within his discussion of state intervention and taxation Marshall demonstrates an attitude to taxation of rent and long term intervention which is more far-reaching than that considered by the classical economists, " . . . a far-seeing statesman will feel a far greater responsibility to future generations when legislating as to land than as to other forms of wealth; and that, from the economic and from the ethical point of view, land must everywhere and always be classed as a thing by itself. If from the first the State had retained true rents in its own hands, the vigour of industry and accumulation need not have been impaired. . . Nothing at all like this can be said of the incomes derived from property made by man."¹⁴⁷

For Marshall this reasoning justifies state intervention. He appears to regret that the state had not intervened earlier. His approach seemed to have informed the basis of Zambia's land "nationalisation" on achieving independence. In Zambia land improvements are saleable and can command rents but not land in its natural unimproved condition.

Marshall however does not take his logic to a point which would provide a basis for taxing away rents and hence disturbing the current status quo of class relations in society, "But the very greatness of the public interests concerned makes it specially necessary to bear in mind, when discussing the equities of the public value of land, that a sudden appropriation by the State of any incomes from property, the private ownership of which had once been recognised by it, would destroy security and shake the foundations of society. Sudden and extreme measures would be inequitable; and partly, but not solely for that reason, they would be unbusiness-like and even foolish. . . Caution is necessary."¹⁴⁸

Marx moved beyond the classical economists' view of rent as a parasitic receipt of surplus, and saw it acting as a barrier to accumulation. His analysis of why this should be so is multifaceted. Firstly, Marx identifies

¹⁴⁶ *ibid* p357

¹⁴⁷ *ibid*, p661, Appendix G, "The incidence of local rates with some suggestions as to policy.

¹⁴⁸ *ibid*, p661, Appendix G.

absolute rent as a barrier to entry of investment in agriculture.¹⁴⁹ In the case of absolute rent, "Landed property has itself created the rent. . . if the worst soil cannot be cultivated although its cultivation would yield the price of production until it produced something in excess of the price of production, then landed property is the creative cause of *this* rise in price."¹⁵⁰

He considers the situation of the "worst soil" type on which it would be possible for a capitalist tenant farmer to achieve an average profit on his investment if no rent payment were made. However, as Marx points out, this "is by no means a basis for the landlord to lend his land gratis to the farmer and to become so philanthropic as to grant credit gratuit for the sake of a business friendship".¹⁵¹ Therefore, before any land is brought into production a rental payment must be obtainable and this requires the establishment of a surplus profit which can be appropriated by the landowner distinct from a differential rent which arises from the difference in fertility of various categories of soil. The need to pay absolute rent will force market prices above the price of production: all lands will pay the level of absolute rent in addition to differential rent. Marx advanced the idea of lower organic composition of capital in agriculture as a determinant of the limits of absolute rent. This idea has led to some controversy.¹⁵² But in the discussion on the determination of the limits of absolute rent does not challenge the principle of the actual existence of absolute rent.

A further effect of the accrual of rent to landowners is that the market value of the agricultural goods produced will not be determined by the weighted average price of production as in other industries. Due to rental payments the total market value of production, due to rental payments, will be above the total price of production. For instance, in Marx's example if the price of a quarter is 60 shillings and the average profit required by the capitalist tenant farmer is 20% then capitalist

¹⁴⁹ Fine, B., personal communication, pointed out that absolute rent as a payment for the use of new land also applies to situations where land has a "new use" "New use" may seem a strange description but it is apt because absolute rent can be identified as occurring not only when previous unused land is brought into production but also when productive use changes. For example land rents in the Natal region of South Africa increased dramatically in 1986 with no change in either land quality or capital investment. The reason for increased prices lay in a change in the use of the land. Land, previously used for sugar cane production, was now being planted with timber.

¹⁵⁰ Marx, K. 1962 'Capital Volume III' p 755.

¹⁵¹ *ibid*, p 750

¹⁵² Ball, M, and Fine, B. debated these points in a series of articles published in Economy and Society between 1979 and 1980.

farmers will be prepared to use up to 50 shillings of capital on that soil which will secure the quarter; the price of production is $50 + 10 = 60$ shillings. On all other land which has a better fertility the price of production per quarter will be less. Yet the production of the quarter on less fertile soil is the determinant of rent levels and total market value: the surplus profits due to better productivity on more fertile soils will be appropriated as rent and hence the total market value of production will be more than the actual total labour time of production. This means that although the rate of profit tends to be equalised among producers through the appropriation of rent, the amount of value produced is not in keeping with the embodied labour time.¹⁵³ Marx concludes that payment of rent creates "a false social value" and that society overpays for agricultural products in its capacity as consumer to the advantage of the landlord.

The earlier argument that land would be employed in production where the capital used plus the average profit were to equal the market price of production thus needs revision. "A small rise in the price of production is needed . . . to bring the new land of the poorest quality onto the market."¹⁵⁴

Marx points out that while this additional absolute rent forces a rise in market price above the price of production this does not necessarily alter the market exchange value of production as this is determined through the intersectoral profit equalisation process. Differential rent, however, can exist even when the agricultural produce is sold at the price of production because differential rents have their origin in permanent surplus profit.¹⁵⁵

Within his exposition of differential rent, Marx notes that market price will determine which land is regarded as the worst land for the production of a certain agricultural commodity. The situation of this worst land provides the pegging level of the surplus profits attainable on more productive soils as the average price of production will be below the market price.

In terms of investments Marx states that farmers will invest in agriculture in so far as they receive the normal return for their capital and that the different conditions of land will determine the pattern of

¹⁵³ Ball, 1980, p.308.

¹⁵⁴ *ibid*, p 757

¹⁵⁵ Ball, 1980 p.305

accumulation taking place, "The better soil is selected because it affords the best promise that capital invested in it will be profitable, since it contains the most natural elements of fertility which need to be utilised."¹⁵⁶ Farmers will invest to the point that they receive average returns on their capital. However the need to pay rent impedes this point being reached and lowers the level of investment which might otherwise have taken place.

For Ball the theory of differential rent is relevant to the discussion of accumulation patterns in agriculture in a distinct manner. He points out that accumulation on the better lands is determined by the level of profitability associated with the current market price. However accumulation on the "worst land" will directly lead to an adjustment of the market price itself and hence the profitability of production on all other lands.¹⁵⁷

This observation is highly relevant in situations in which price fixing takes place independently of market supply of produce. If price fixing is determined according to least favourable conditions, farmers with low productivity will be shielded from the coercive pressure to accumulate in order to produce more efficiently and lower their costs of production. In a competitive market situation, however, producers on better lands who continue investing to lower their costs may in the end undercut the market price. Hence the economic viability, the continued existence, of less productive farmers, will be threatened unless prices are fixed at a sufficiently high level to make up for their relative economic inefficiency; in this case additional rents accrue to the efficient producers)

A conclusion from Marx's rent theory is that while the entire landed property system is an essential prerequisite for the establishment of capitalist agriculture it can become a fetter on society as a whole and specifically on the further development of agriculture. For society as a whole the payment of rent raises the market price of agricultural goods. For tenant farmers, the payment of rent creates an initial barrier to investment and, during the process of capitalist development of agriculture, they will be deprived of the surplus profit gained from innovative capital investments. The continued existence of rent, the inability of capital to erode permanent surplus profit differentials, is due to the specific ownership and condition of land in the production process. Furthermore, land rent stems from surplus and not from normal profits: if landowners

¹⁵⁶ Marx, K. Vol 3, p 680

¹⁵⁷ Ball, M.1980, p.313

demand rental payments which forced down the capitalist tenant farmers' profits below the normal return on capital invested elsewhere, the tenant would (capital mobility and opportunity permitting) move his/her capital elsewhere.

But rent is far from being a more technical microeconomic category, as in the receipt to 'owners' of the marginal productivity value of land as presented by the neoclassical school of thought.¹⁵⁸ Rent, from the Marxist point of view, is the specific result of historical appropriation of land and the ensuing capitalist social relations of production. The issue of rent is further understood to be more than a distributive question; the appropriation of rent affects investment and therefore the process of capitalist accumulation. The Marxist study of rent leads to the conclusion that one cannot think of "land" inseparably from "landed property" and that land, having ownership, is a social relation of production as opposed to the "factor of production" rental reward approach used by the neoclassical economists.

Placing rent within the political context of relations of productions emphasises that rent levels are not a technical product of differential and absolute rent but the result of class struggle over surplus value. The identification of differential rents I and II and absolute rent locates the source of surplus profits from which rent, as an appropriation of surplus value, is made. But the struggle between capital and labour or between capitalists and landlords will also affect the level of payment made for leasehold.

In conclusion, in Ricardo's analysis, rent was an appropriation of surplus which affected the distribution pattern between entrepreneurs, workers and landlords. An increase in food prices due to population increase and hence the need to bring into production inferior quality soils led to an increase in the portion of value appropriated by landlords to the detriment of the rest of the economy. Ricardo presented an alternative, which included food imports exchanged for exports of manufactured goods, and allowed for an overall increase in the production of wealth. Land nationalisation is therefore advantageous to society if consumers gained from paying lower prices for agricultural produce.

¹⁵⁸ Massey, D. and Catalano, A. 1978, p.221

Marshall did not theorise the effect of appropriation of rent on the character of economic development.¹⁵⁹ His concern was more informed by welfare considerations than the size of the landlord's distributive share due to the monopoly ownership of land. For Marshall the private ownership of land, as a life-supporting natural resource in limited supply, required governmental readiness to intervene in private rights in the interest of public welfare. But land nationalisation, extending the Marshallian logic in which the state becomes caretaker, may abolish rents but it in no way challenges capitalist production relations in agriculture which determine who receives wages and who reaps profits.

For Marx the very existence of absolute rent creates a barrier for entry of entrepreneurs into farming activities. Rent alters their profitability conditions as they must achieve an average rate of profit on their agricultural activity after paying rent. In Marx's analysis the portion of rent payment representing absolute rent must be taken from the producer surplus. This apportionment of surplus diminishes the general level of entrepreneurs' investable surplus thus affecting the developmental capacity of the agricultural sector relative to other sectors of the economy. The appropriation of rent is also detrimental to consumers as it causes the market value of production to be higher than it would otherwise be. But since for Marx land rents are the economic expression of social relations of production under capitalism land nationalisation has limited effects. Nationalisation of landed property is meaningless in the absence of a scheme whereby the state changes the conditions of access to land and relations of production in agriculture. Abolition of landed property is therefore an essential but insufficient step in any transition which aims to transform the relations of production.

2.1. (vi) Rent: The Neoclassical treatment of land as a factor of production

Neoclassical treatments of rent continue to depend on the marginal principle. Ricardo's importance in terms of his theorisation of the nature of differential rent is acknowledged as a foundation stone for later marginal theory. But the neoclassical economists reject all theories including Ricardo's which claim that agricultural rent is an undue appropriation of part of the economic surplus.

¹⁵⁹ Atkins, F. 1986, analyses the neoclassicists failure to "differentiate land from other forms of capital" as contributing to inconsistencies towards land reform policy in the post second World War period. Her own analysis suggests that "a unique concept of land can be developed by analysing rent and ownership as part of 'a system of landed property'."

The ambivalence of the early neoclassical economists with regard to land (i.e. they acknowledged rent as a distasteful appropriation and yet could not support nationalisation) was not followed by later neoclassical economists and no further theorisation on land as an "exceptional" factor of production has been produced. It is treated in the same way as other factors which are non-renewable and non-reproducible (minerals, oil, etc) in diminishing supply. Land is simply another factor, but in fixed supply, which is not expendable. Current neoclassical theory implicitly rejects the classical (and Marxist) analysis of land as distinct from other factors of production, and therefore rejects the theorisation of agricultural rent as an appropriation of part of the surplus. Thus the classical discussion of the share of remaining surplus between workers and capitalists and the proportionately declining accumulation fund is entirely absent. Rent is treated as a scarcity payment for the use of any factor of production, clearly identifiable in the case of tenant farming as the payment made to the landlord. More generally, this reflects a shift in the focus of economic theory away from the potential for, and obstacles to, growth and towards the static (in)efficiencies of resource allocation. This is all the more plausible with the declining importance of agriculture and the problem of substituting "scarce" capital for "scarce" labour.

While the early neoclassical scholars considered land to be an exceptional resource the view of later Neoclassical theorists has held; the price of any factor of production, and these include land, may have a rental component. The Walrasian approach was to consider an economy in equilibrium. There is a certain endowment of resources, preference patterns and technical coefficients of production. Each factor has a generalised marginal productivity which determines its rent and hence its price. "Land is truly capital since it brings forth a harvest year after year and it is the succession of these services which constitute income or rent."¹⁶⁰ Wicksell later wrote, "no special theory of rent is necessary, every acre of land may be treated in the same way as a labourer: the owner of land under a system of private ownership must be rewarded for its contribution to production."¹⁶¹

Neoclassical theorists co-opted Ricardo's concept of differential rent at the intensive margin but used it as the basis for quite a different theory of distribution. They extended to land the logic of Ricardo's marginal theory as applicable to all factors of production. The entrepreneur would employ

¹⁶⁰ Walras, 1954,

¹⁶¹ Wicksell, 1934 p132.

the factor of production to the point where the marginal product brings the same return (marginal revenue) as its price. The total surplus earned by the factor of production on intra-marginal units is referred to by Ricardo as "producer surplus" but neoclassical economists later used the term "economic rent"..

Marshall's exposition of rent theory in his work on short term competitive equilibrium differs from the later mainstream terminology.¹⁶² Marshall strictly reserves the term "rent" as purely derived from the use of natural properties of a factor such as land although the principle of a "rental" reward was seen as applicable to all "agents of production" not just land. The term "quasi-rent" was applied to make a clear distinction from the concept of pure rent as earned by land as a "gift of nature".

Marshall, interested in the analysis of short term competitive equilibrium, said that "quasi-rent" earned by the marginal unit of a factor of production could on occasion be greater than its marginal product. For example, Marshall applied the logic of Ricardo's land rent theory to the short term situation in which any input with an inelastic supply could command a rental payment for its use. If, in the short term, the demand for a specific input increases, greater competition for the same supply will lead to an increase in market price. In terms of use of resources there is no increase in quantity, therefore the price rise is viewed as part of the "quasi-rent". Marshall regarded this rental component as a short term phenomena; the additional surplus due to demand induced price increase would accrue to the producers. Longer term economic adjustment would ensure an increased supply of the limiting factor, or an increased rental payment to the landlord eliminating this component of "quasi-rents". Thus, in the short-run, capital is like land (quasi-land), for being fixed in supply.

Neoclassical economists further used the marginal principle in a more general elaboration of a theory of resource allocation. Competitive demand for resources, the general applicability of the principle of diminishing returns and eventually declining marginal product, would determine the allocation of resources between different enterprises. Within a prevailing distribution of ownership of resources, market competition ensures their optimal allocation through capitalist profitability (and consumer utility maximisation). This optimum *status quo* is not achieved if monopoly ownership, capital immobility or state intervention impedes the operation of a freely competitive process. Jevons and Walras asserted that

¹⁶² Marshall, 1988,p358

the market competition process not only maximises capitalist profit but also society's satisfaction as the process ensured the best possible response to consumer demands. Later observations about income inequalities not only provided a critique of this assertion but also paved the way for welfare economists' arguments for reforms within capitalism.

2.2 Methods of Agricultural Land Valuation.

In spite of extensive criticism of the neoclassical theory of distribution, (i.e. the distribution of economic rent where rewards are determined at the margin) it still stands as the base reference point in capitalist economies. Economists in capitalist countries generally use land valuation methods deriving from the theoretical rationale of neoclassical theory. In a free functioning market operating without coercion on buyer or seller it is expected that what each party is willing to pay and receive will be decisively influenced by the marginal product of the land. Hence "Open market value" has been described as the "most common basis" for an "impersonal objective measure"¹⁶³

If land redistribution is to take place on the basis that outgoing landowners will be compensated then the method of land valuation adopted has important budgetary implications. If government is to buy land for redistribution this will create a "sellers market" and land prices may rise substantially in comparison to the recent past. This is one reason why some analysts argue against accepting the "open market value" approach. Others consider that land valuation should be done on a methodical assessment basis; whereby productivity valuation should provide both the basis for both compensation and future land transactions as discussed in Chapter 1. It is therefore pertinent to consider different methods of rental assessment according to the neoclassical principle that the price of rent is the capitalised price of land.

Ricardian economic theory on agricultural land rent does not itself provide a method for predicting rent. This is because land is not treated as a factor of production: it is treated as a portion of the surplus acquired by landlords. The demand for land has a major impact on land prices and consequently on rent. A higher demand for land leads to a higher land price and enables the landlord to demand a higher rental. However the level of rent is not seen as determining the market price for land transactions. Rent is viewed as passively determined rather than as a

¹⁶³ Turner, D. (1977) p3.

determinant. It is determined as a residual, i.e. the surplus remaining after inputs, wages and farmer's income have been paid.

Neoclassical economic theory views the quantum of agricultural rent as a price determined by supply and demand. Land is no longer treated as a fixture in the production process whose residual rent will rise and fall according to the demand for land. Land is one among other factors of production and will command a rental reward, an "economic rent", according to its productivity contribution and the demand for its products. Neoclassical theory thus sweeps away the notion of land rent as an apportionment of surplus and devises methods of calculating land's productive contribution relative to the ultimate utility it can provide in consumption.

Marshall discusses land valuation in relation to public policy on taxation. He also expects land rents and hence land value to be determined not only by the original properties of the land and the subsequent direct improvements but also by the "highways and other improvements that were made for the general purposes of the country and are not a special charge on its agriculture". Furthermore, if indeed the value of all direct and indirect improvements were added together, the sum total would be greater than the actual selling price of land. On the basis of this reasoning it may be said that the value of land is the result of human labour. The logical conclusion is therefore that land can be treated as just another capital asset.

Marshall challenges this approach. He accepts that a great deal of work is done to the land to prepare it for productive activity even in the early stages of simple farm mechanisation; trees are felled, stones dug out and removed, drainage ditches sunk. Walls, terracing, windbreaks may all be necessary to prevent erosion and preserve the land. However for Marshall the guiding principle governing land valuation is that the present value of land "should not exceed the expense, in so far as it can be properly charged to agricultural account, of bringing the land from its original condition to one in which it would be as fertile and generally useful for agricultural purposes as it now is."¹⁶⁴ Not every expense incurred should be counted as Marshall argues, "some of these expenses were incurred to suit agricultural methods no longer used and some of the past expenditure may even have reduced the potential of the land. Furthermore the accounting of outlay should rightly include the interest

¹⁶⁴ Marshall, A. 1988. p.527

which could have been earned by the capital but should therefore deduct the value of extra produce which is attributable to the improvement."¹⁶⁵

For example when Zambia became independent, the state regarded land rents in the sense of "pure rent" gained from "the natural properties of the soil" as an immoral income source. State legislation, consequently, forbids the buying and selling of land (which is held in guardianship by the state) and allows only for land improvements to be valued as the basis for market transactions. Thus when commercial farm land is changing hands, a valuation firm assesses the current net value of all farmland improvements including the tree clearing, ditches and so on. In Zambian practice this method of valuation of all past expenditure on land improvements has resulted in very high assessments. The sum total arrived at through this method may well be greater than the price arrived at via market exchange.

Marshall also notes that, in fact, the value of land is often far greater than the expenses incurred. This is especially so in areas of higher population density where the demand for land affects the price irrespective of the land value estimated on the basis of any improvements or inherent qualities of the soil. This is due to an increased demand for agricultural land. Marshall suggests that it is appropriate to tax the additional rent accruing to landlords due to locational factors.

Nevertheless in Marshall's general assessment of land value, stemming from his exposition on rent and "quasi-rent", the greater part of land rent is due to improvements. Land therefore becomes similar to any other capital asset employed in the productive process. In terms of neoclassical theory its marginal product will be almost exclusively the result of resources invested in land improvements rather than due to any inherent qualities.

Neoclassical theory on land rent treats it as a price for a factor of production. It will therefore command its own rental reward, an "economic rent" according to its productivity contribution and market competition for access to land.

In the next section I review four different techniques for calculating "rental reward" all deriving from the neoclassical approach: (i) production functions, (ii) economic residual, (iii) productivity value and (iv) financial rental rates of return assessment. Each method claims

¹⁶⁵ Ibid

Ricardian theoretical roots but uses the "return to factor" approach subsequently developed by neoclassical theory wherein rent should depend on the marginal product of land (which differs from its average product). In the agricultural sector it is generally expected that there are diminishing returns to use of inputs and therefore the marginal costs will be more than the average cost. The excess between marginal and average costs is the rent accruing to the owner of the factor. The first three methods try to calculate the value of the marginal physical product of the land and compare this to actual rents. The rate of return method is critical of the productivity valuation approach and though it does not reject its basic principle it argues for additional economic elements to be considered in rental assessments.

The definition of "rent" as marginal productivity includes more than the sum of money paid by the tenant farmer to a landowner. "Rent" is taken to mean the money value received which is above that which has been necessary to secure the supply of the required factors of production. In the case of agricultural land the production costs and the farmer's remuneration are deducted from gross value; land taxes are not included in costs as they are part of the economic rent.

2.2.(i) Production functions as a method of calculating marginal product.

Production functions applied to agriculture identify, through mathematical expression, the expected product from varying inputs of land, labour, and other factors. In analytical work on agricultural production functions the Cobb-Douglas function, which is linearly homogeneous, is widely used.

Various studies have analysed agricultural production applying the Cobb-Douglas production function.¹⁶⁶ The coefficients attributed to various factors in differing agricultural systems are compared. The labour coefficient is generally highest in the simplest forms of agricultural production as practiced by peasants using hand tools in underdeveloped countries. The use of mechanical and biological inputs are minimal or non-existent and the most important increments in production result from increases in labour inputs. At low levels of labour input the marginal

¹⁶⁶ Clark, C. 1973, pp14 -39 presents and reviews a Nigerian study by Galletti, Baldwin and Dina, 1955, on "Nigerian Cocoa Farmers." and also a Gambian study by Haswell, 1953, 'Economics of Agriculture in a Savannah Village, Colonial Office Research Study No. 8.

returns to labour actually rise as labour increases and then reaches an optimum labour-per-unit-of land area before declining.

For example, the results of cocoa planting and food crops in Nigeria and groundnut cultivation in Gambia are considered. The production function used for the analysis refers only to land and labour; hand hoes as the sum total of physical capital in both cases was thought to be quantitatively insignificant. In Nigerian cocoa production, the exponent for land was 0.67 compared to labour's 0.33. In the food crop production process the land exponent was 0.24 and the labour exponent 0.76. These factor shares demonstrate that in the case of cocoa there is a long period which does not involve labour input before the bush bears fruit; this would explain the higher exponent of land than in the case of groundnut cultivation. The analysis of groundnut production in Gambia shows marginal returns to labour at first increasing as time spent on field cultivation increased, and then falling. The implication is that using more labour on weeding and improved tillage has limited production benefits.

The higher exponent for labour when cultivation is carried out with hand tools does not always conform to these patterns. Case studies from Japan in the 1950s show that in spite of the intensive hand tool cultivation the exponents for land were 0.56 and 0.72, respectively.¹⁶⁷

Production functions have also been used in linear programming to analyse more developed agriculture.¹⁶⁸ The inputs analysed often include equipment, fertilisers, feeding stuffs, as well as capital, land and labour. Various studies show that the demand for farm enlargement may result in a land price being paid which is above that which may be indicated by the prevailing average marginal productivity of the land in a certain farming district. A farmer operating with a high level of non-land fixed costs may calculate that he can increase his area through buying adjoining land

¹⁶⁷Two Japanese studies are presented by Clark, C (1973): firstly Tutiya, 1955, untitled, to be found in the Japanese 'Quarterly Journal of Agricultural Economics.No.1.' and secondly Maruta, 'Memoirs of the Faculty of Agriculture' Kagoshima University, 1956.

¹⁶⁸ Linear programming is also used to assist farmland productivity assessments and can yield an alternative valuation method. A programme can be developed for a single farm unit in which it is possible to use a mathematical method to forecast the varying marginal productivity of a factor as a series of individually distinct changes. Linear programmes drawn up for computer processing allow for constraints to be fed in. In relation to agriculture this could be say the employment of a certain number of workers, a minimum area for grazing, or rotational limitations of acreage of any one crop.

without increasing the current level of fixed costs.¹⁶⁹ The farmer may bid within this perspective and can afford to outbid any other farmer intending only to farm the purchased area. Sandqvist's study on three Swedish regions indicates the marginal product of land consistently decreases as farm size increases.¹⁷⁰ The rationale offered is that the smaller farms do not adequately permit best use of other factors: the return to lumpy inputs such as tractors, for instance, will be considerably affected by farm size. In order to optimise the returns to inputs, farmers may be willing to purchase land at a price which is above that calculated on the basis of, what Clark refers to as, its "true marginal productivity."

2.2.(ii) The residual method of calculating marginal product.

In the case of agricultural land a residual approach is frequently used to estimate the marginal productivity of the land and hence its rent. The calculation of residual income is still akin to the production function and programming methods of calculating marginal productivity. Its similarity stems from the fact that it maintains the principle of identifying the reward to the factor. It is maintained that there will be factor mobility in agriculture in advanced economies which means that the price of factors should be in accordance with their marginal productivity. In the case of land no substantial economies of scale are expected. This is generally accepted among neoclassical economists and therefore "average returns to land should approximate to the marginal."¹⁷¹

But while this ruling is generally valid neoclassical scholars have found exceptions. Divergence between the estimated rent and the actual rent paid is said, by neoclassical theorists, to indicate "market imperfections". Underdeveloped countries are expected to have more exceptions as markets are considered less perfect than in developed countries. This is because the power inequalities are more visible and therefore acknowledged; the power inequalities within social relations of production will influence the land market; where the demand for land is high and prospective tenants have no other prospective way of supporting their families, landlords are extremely powerful and can command high rentals.

¹⁶⁹ Heady, E.O. et al, 1967 pp21-22

¹⁷⁰ Sandqvist, 1963, Sandqvist, 1963, *Acta Agricultura Scandinavica*, presented and reviewed by Clark, C. 1973, pp32-33 and pp46-47

¹⁷¹ Clark, C, 1973, p20.

Habibullah's study of a poor and intensive farming village in East Pakistan shows the landlord receiving 72% more rent than that calculated to be his "just reward", according to the residual income. This implies that the tenant is not receiving the sum due according to the calculated marginal product of labour. Power relationships which are operating are ignored and Clark offers euphemistic reasons why factor rewards are out of keeping with residual calculations, "population density and poverty appear to have led to a market very much out of equilibrium" ¹⁷²

Other studies indicated further inconsistencies which have served to undermine the early neoclassical theorists claims that rent and wages are the "just reward" accruing to the factor. In Sakar's study from Sri Lanka (Ceylon), the marginal product of labour indicated by the study was substantially below the prevailing wage.¹⁷³ Wellisz et al studies nine years of data for twenty districts of Andra Pradesh in India.¹⁷⁴ Their logarithmic function gave the marginal productivity of labour at 497 rupees per man year as against the actual wage paid of only 305 rupees. These examples support the acknowledged critique of marginal productivity theory; it cannot be assumed that factors will automatically receive their "just reward" represented in the price (wage) paid to labour, land or any other factors. The relative strengths and weaknesses of those people involved in the productive process (workers, tenant farmers, landlords, input supply companies, purchasing agents) affects wage and price levels irrespective of theoretical marginal productivity estimates.

These exceptions to the general rule, that reward to land can be out of keeping with the calculated marginal productivity, have been taken from situations in underdeveloped countries where "market disequilibrium" is said to distort the economic process. The expectation is that in developed economies land markets operate in equilibrium.

Various studies on agriculture in advanced economies express residual income and its relationship to land prices in different ways: (a) land prices as a percentage of capitalised rent in monetary terms, (b) the influence of expectations on land prices (c) land prices/residual income expressed in wheat equivalents, (c) the ratio of marginal land price to residual income and (d) percentage yield on land.

¹⁷² *ibid.* p 59.

¹⁷³ *ibid.* p26, reviewing Sarkar, 1957, *Journal of the Royal Statistical Society*. Pt. 2.

¹⁷⁴ *ibid.* p29 reviewing Wellisz, 1970, *Journal of Political Economy*, July-August.

The basis of calculation of residual income involves both actual and imputed costs. An imputed cost, for example, would be the reward to the farmer for management skills. This may vary from country to country; USA and UK calculate it as 5 percent of the value of gross product. In Denmark the imputed reward for management is 8 percent. The studies shown are generally consistent in their inclusion of costs of inputs, labour, interest on capital (excluding land and buildings) maintenance and depreciation on equipment, stock, and farm buildings (excluding dwellings) and remuneration for managerial skills. Actual rents, rates, land tax and interest are excluded; they cannot be included within the costs as they are a part of the economic rent.¹⁷⁵

Studies reviewing (a) the relationship between land prices and the capitalised value of residual income indicate time lags of up to two years before land prices change in response to changes in residual income.¹⁷⁶ However it is difficult to apply the same measure to each country; there are difficulties in choice of appropriate discount rate at which to capitalise future rent. Land prices in New Zealand were of the order of half or less of capitalised rents, whereas in Denmark land prices always exceeded the capitalised value of residual income. Even within countries, the same measure over a period of time shows fluctuations rather than trends. A USA study over fifty five years has land price/capitalised rent continuously fluctuating -the highest was 2.09 in the early 1920s, the lowest 0.26 in the late fifties.

In a further comparative study (b) actual land rents and prices are converted to wheat equivalents in a quest to make their comparison independent of time and place. All countries are considered irrespective of their development status. Rent is shown as a percentage of gross product and factor income; the greater the use of inputs, the greater the difference between rents as a percentage of gross product and rent as a percentage of factor income.¹⁷⁷

¹⁷⁵ *ibid*, p64 citing the Institute of Farm Management and Agricultural Economics, 1959/60, "Technical and Economic Changes in Danish Farming 1917 -57 pp72-74. Thirty Years of Farm Accounts and Agricultural Economic in Denmark 1917-47" p40.

¹⁷⁶ *ibid*, p63 citing Johnson reviewing New Zealand's changes in land prices following changes in marginal residual income.

¹⁷⁷ Some land productivity analyses separate the return to use of chemical fertiliser from the calculation of return to land as the expense and importance of fertiliser on land productivity and farm income merits an independent assessment.

But subjective "expectations" also influence land price as the capitalised value of the future, anticipated residual. Interpretation of a series of data on USA land prices going back to 1910 suggests that the reason for the fall in land prices after the first world war was because of farmers' pessimism that the wartime rise in farm income would not last -so they bid down farm land prices. Conversely, in the twenties their mood is described as "optimistic" and it was felt that low prices could not last so they bid up land prices. These waves of optimism and pessimism influence changes in the discount rate and can indeed be expressed algebraically.¹⁷⁸

This comparative review illustrates (as in the earlier chapters) the variety of factors which influence land price and which are specific to the conditions of each country. The USA illustrates the importance of inputs and factor income, Britain's land prices demonstrate the influence of death duties, Iraq exhibits the effects of population density, Japan indicates the effects of taxation whereas in Malaysia rents are said to be high as a proportion of gross product because of population density and land scarcity; in Vietnam the rents were zero in the war zones.¹⁷⁹

In the final analysis the relationship between residual rent and land prices appears to be country specific and subject to substantial changes, even fluctuations over time. Even allowing for difficulties in choosing the appropriate discount rate, the proposition that, "in advanced economies, assuming factor mobility, it can be expected that capitalised rents will be equal to land prices" is not convincingly substantiated by the studies.

2.2.(iii) The Productivity Value Method of estimating land value.

Other methods of land valuation take a financial approach but are equally based on the residual principle. Again there is an assumption that for land there are no substantial economies of scale and the average returns to land should approximate to the marginal productivity.

The "Productivity Value" method is frequently used by banks to make a judgement on a loan for the purchase of agricultural land. This is derived by dividing profits per hectare by the mortgage bond interest rate as expressed by $PV = Ro/i$ where PV is the productivity value, Ro the profit per hectare and i the mortgage bond interest rate. The concern of the bank is

¹⁷⁸ Clark, C. 1973, p66 Table 30 examining time series data.

¹⁷⁹ *ibid*, Chapters 6 "Actual Land Rents" and Chapter 7 "Actual land Prices" see p76 on USA and the effect of inputs, pp96-98 on UK and the effects of death duties, p86 on Iraq, p87 on the effect of Japanese taxes, p88 on Malaysia,

that the farmer will be able to repay the loan from profits. It is important to be able to predict a sufficiently high level of farming profitability and hence monetary liquidity to be able to do this.

A farmer purchasing a farm in a capitalist economy will be equally concerned that the gross income from production allows the payment of production costs and repayment of the land mortgage bond, with sufficient remaining for a certain standard of living. If the net income does not permit debt repayment, the farmer's profitability crisis will obviously end in bankruptcy.

The approach is "residual" in that the calculation is: "Will profits pay the bank debt for the land purchase?" But it differs from the "economic residual" approach described earlier which tries to identify the value of the total product accruing to land. Calculation on economic residuals showed some divergence from actual rent payments; the suggestion was that this mostly occurs where landlords are able to impose unfair rents. In the "bank appraisal" approach, the bank is essentially the landlord and the rate of interest on the mortgage determines the sum of money that the farmer must pay back to the bank in order to buy and continue farming the land. The "Productivity Value" only indicates whether or not the profit will repay the loan: it could well be that the level of interest on the land purchase is greater than land's marginal productivity as calculated by the economic residual method. Sender comments that this method in fact is a cash flow evaluation of the farmer's capacity to repay the bank from farming income. Therefore the productivity valuation method is really an assessment of actual and expected cash flow value of the physical produce.¹⁸⁰

In several countries a discrepancy appears to have arisen between average estimated productivity value and the mortgage repayment due on the capital borrowed in order to buy the land. The discrepancy implies that the farmer does not receive full remuneration for own labour, management skills and risk bearing. Capstick referring to U.K. farming conditions writes, "The economics of purchase for owner-occupation of a mediocre farm and £750 per hectare are beyond reasonable explanation at interest rates in 1968-1969. . . How the gap between this net income and interest charges on land is bridged is a mystery; it must be assumed that the owner-occupier farms and lives at a very low standard, hoping that when he retires capital appreciation will repay his mortgage."¹⁸¹ Smith, writing in

¹⁸⁰ Sender, J. Professor of Economics, Witwatersrand University, South Africa: personal communication.

¹⁸¹ Hasbargen, P.R. (1980) citing Capstick, M. 1970

the USA, comments, "Present returns to land on average are below the mortgage interest rates. Increasing amounts of external capital are likely to be needed in farming. There will be more and more a separation between the people who own the farm resources and those who use them."¹⁸²

2.2.(iv) The rate of return method of agricultural land valuation.

The Productivity Value method of valuing land is criticised as quite limited by economists who take a rate of return land valuation approach. Heady *et al* present a capitalisation approach to estimating land value and then go on to discuss why the process of farm enlargement may lead to a situation in which farmers will be prepared to pay more than this, hence creating an upward pressure on the general level of land prices in the economy.¹⁸³

A capitalisation formula is used:

$$P = Y/r$$

This appears to be the same as $PV = Ro/i$. the difference is that land here is being considered as one among several investments and therefore r is the discount rate or the rate of return on alternative investments. P is the land price and Y the residual income per hectare of land. A prospective purchaser will look for alternative investments. If the price is below this, it is probable that there may be several bids and that the competition between bidders will raise the price.

Heady *et al* then demonstrate that when a farmer is buying additional land, there may be a willingness to bid a price which is greater than the estimated $P = Y/r$.¹⁸⁴ The rationale of this lies in the possibility of optimising the use of investments already incurred on buildings, machinery and equipment and so on. If the farmer purchasing an adjoining piece of land is able to spread the fixed costs, then his calculation of the potential residual income, (influenced by the specific benefits available only to him) will be above the normal estimation. This "abnormal" economic potential allows the farmer to outbid those intending to farm only the purchase land as a single unit. It is equivalent to the presence of scale economies.

¹⁸² Hattingh, H.S. & A Hertzberg, 1980, citing Smith, M.J. (1961) "Adjustment in Agriculture- a National Basebook" Iowa State University Press, Ames, Iowa,

¹⁸³ Heady *et al*, 1965

¹⁸⁴ *ibid*, p163

There is some frustration with the "Productivity Value" $PV = Ro/i$ method as simplistic, misleading, erroneous and leading to misguided arguments about land prices being "too high" ¹⁸⁵ The common starting point is that the value of a fixed asset can be expressed as the present value of the future rent stream generated by the asset. But a whole series of factors can influence expectations about the future: changes in terms of trade, changes in technology, changes in discount and inflation rates as well as any political changes. A more complex land rental assessment and hence land valuation method is required which includes at least some of these factors.

Nieuwoudt uses such a model to calculate the nominal rate of return r_1 for an investment in real estate.¹⁸⁶ He considers the growth of annual rents in real terms Ro , the rate of growth of real profits, g , the inflation rate, k , and the farm mortgage rate, i .

The nominal rate of return on the farming activity is $(1+g)(1+k)$. To evaluate the value of land this has to be supplemented by the return which accrues to the landlord in the form of rent given by the rental rate of return, r . So the rate of return on land altogether is $(1+r)(1+g)(1+k)$. This should be compared to the cost of borrowing, given by the borrowing rate on Land Bank loans $(1+i)$.

Nieuwoudt adopts Penny's constant growth model¹⁸⁷ and proposes to express present value as:

$$PV = Ro/(i-g-k)$$

Using farm survey data he calculates the rate of return on South African land as having been favourable compared to the Land Bank's lending rate.

Concluding discussion.

None of the economists (Clark, Heady and Nieuwoudt,) presenting the land valuation methods is explicit about political context. However, several comments indicate the existence of political factors which influence land

¹⁸⁵ Hasbargen, P.R. 1980.

¹⁸⁶ Nieuwoudt, W.L. 1980, pp389-395.

¹⁸⁷ *ibid.* p389.

price. Examples are given which indirectly indicate how land price is influenced by the power of landlords, the state of the labour movement, the power of financial capital, the moods and expectations of farmers, and the political aims of the government which are reflected in credit rates, taxes and even in the organisation of technical support services.

The combination of political factors can influence price to such an extent that enormous discrepancies arise between the exacted land rental and the nominally scientific calculation of its productivity value. This explains why the method consistently fails to explain actual land prices. The theory of marginal analysis which claims for capitalism an ability to best "serve a social function" and which ensures the optimal use of a society's scarce resources would appear faulted. The actual allocation and price of resources are clearly the product of political and economic power relationships: neoclassical apologists would perhaps claim that land markets are perhaps the worst case of discrepancies due to market imperfection under capitalism.

The methods reviewed above vary in their calculation of value as related to existing land prices. But the way a particular method is viewed is not only dependent on its mathematical accuracy, interpretation or even judgement of whether the actual land price is justified as an indication or reward to factor use. The method must itself be evaluated within the political context within which the study is made.

A state department concerned with restructuring of agriculture, finance capital searching out suitable investment or the indebted farmer with high mortgage repayment relative to income are likely to have quite differing opinions on what is the most appropriate land valuation method. If the dominant view is that maintaining current levels of owner occupancy is desirable then the land valuation by productivity valuation is perhaps the best, most appropriate model, to indicate the feasibility of this aim. If land prices are above productivity value then bankruptcies may be expected to occur. If the concern is to attract corporate capital into commercial farming at the expense of smaller scale owner occupiers then the calculation of nominal rates of return is that which provides the most appropriate information.

Of the four methods described, the production function, the economic residual, productivity value and rate of return, two have been used in South Africa and the results of their practical application will be examined in more detail in Chapter 6.

But identifying the method which best interprets prevailing land prices in the context of the prevailing status quo is not my major concern. My major concern is in establishing how the principle of each method might relate to the question of making land available to beneficiaries at prices they can pay from the seasonal proceeds of production as well as the issue of compensation or market regulation which may also be components of a land reform policy.

I take cognisance of the rate of return assessment of changes in land prices which may indicate that all things considered, (the agricultural growth rate, the inflation rate, the farm mortgage rate and so on) land is a good financial investment. But the immediate practical issue for land reform beneficiaries must be whether net income (after payments for the producers own work and management) is sufficient to pay either the bond (interest rate on a loan) or the rent to the landlord in the case of tenancy.

Heady et al examined the process of structural reform in USA agriculture which includes policy measures favouring farm enlargement. They identify farm enlargement as a trend which contributes to the evolution of an ever increasing gap between the productivity (seasonal cash flow) valuation compared to the market price of land. The South Africa state policy on the restructuring of white commercial agriculture (Chapter 5) has had similar results which are to be examined (Chapter 6). The implication is twofold(1) that only persons who already own land will be able to purchase more land; they will pay for the bond of the new piece of land using not only the net income of that new piece of land but also the income accruing from land which they inherited or have already paid off or (2) that people purchasing land have made enough or are still making money outside of agriculture in order to pay off a land loan.

The issues arising in Chapter I recur in this examination of theory and methods. The issue of value of land for compensation purposes should be separated from the issue of the conditions under which land reform beneficiaries get access to land. My examination of approaches to land valuation indicates that there is no one "fair, objective" approach to valuation. Market prices are an expression of a history of power struggles (as to who got land in the first place); they are also influenced by government policies towards agriculture restructuring as well as reflecting the demand for holding land for investment reasons. Outgoing land owners can be expected to negotiate the highest price possible; their

actual payment will depend on the balance of forces within the negotiation process.

Among South African blacks who want access to land there may be a strata who have made money outside of agriculture who can put down a substantial deposit and pay off the rest of a (possibly subsidised loan) using the proceeds of agricultural production from the farm as a whole. But the majority of blacks who want access to land have no capital and the conditions for their credit viability must be considered; it would be a perfidious land reform which gave loans that cannot be amortised from an average production giving rise to a certain norm of average net income. There may also be a further group of blacks who want access to land but within a communal land tenure system. There are many blacks who feel that land should be given to them to use and dispose of as they wish.

The neoclassical approach to South African land reform¹⁸⁸ maintains that a competitive land market will ensure the most efficient use of resources. They contend that the apartheid laws flawed the possibility of achieving a unitary competitive market in the past. They furthermore regard the current situation in South Africa's bantustans, (where land is valuable, but price-less, as land is state-owned and there is no legal system of freehold titles) as an impediment to the development of capitalism.¹⁸⁹

Many South Africans, belonging to the liberation movement still identify with the Marxian critique of this entire neoclassical discussion of land valuation. They hold to their understanding of Marx's rent theory which provides the critique of classical and neoclassical economists. Firstly, rent is but the economic expression of a set of historically determined social relations of production. Secondly, rent is in principle appropriated from surplus profits and in fact the price of land is but the value of capitalised rent. Thirdly, total rent payment is a composite of three different interconnected rents due to the influence of various factors such as quality of soil, location, varying applications of capital and the fact of ownership in itself. Fourthly, as accumulation in agriculture proceeds rents will be altered as land improvements are capitalised into the land price. In fifth place, rents are viewed as a barrier to investment in the agricultural sector of the economy. Sixthly, while land nationalisation by the state may be accepted as the panacea to classical concerns as capital tied up in land would

¹⁸⁸ represented by the National Party, the Democratic Party, and all current state institutions and parastatals such as the DBSA.

¹⁸⁹ Cross C and R Haines, (eds) 1988 many of the articles in "Towards Freehold" represent this view.

be freed to invest in other economic activities, its occurrence would be meaningless if there were no change over control of land thus basically maintaining the social relations of production.

Their ideal would be the nationalisation of land, the abolition of a land market as the basis for beginning the longer term process of transforming productive relations. Their assessment of the possibilities of realising this project at this point in time is a pessimistic one. South Africa's transformation possibilities are governed by current realities as well as deriving energy from a projection of a different future. The next three chapters deal with an examination of the current reality of South African rural life. Chapter 3 deals with how the racially separate but interdependent system of land distribution, tenure and agrarian production was formed. Chapters 4 and 5 examine the analytical and economic questions relating to land and production in black rural life and white commercial production.

Chapter 3 :The Racial Division of Land and Conditions of Tenure.

The historical background is essential for an understanding of the present system of land ownership and occupation, and for analysing the prospects of future land redistribution. Market exchange of freehold land dominates the present system, but there is no unitary land market. Separate systems of occupancy rights, tenure systems, rentals and marketability operate in relation to white freehold land and black occupied land. These diverse types of land tenure and markets suggest the need for a flexible approach on land redistribution policies.

Section 1 of this chapter describes some main elements of pre-colonial organisation of production and black attitudes to land. Section 2 describes the settler forms of land tenure as the process of land conquest steadily advanced. Section 3 reviews African attempts to retain both access and ownership through reserves or land purchase. Section 4 deals with the struggles to retain use rights on land now formally owned by whites. The fifth section presents the prevailing tenure status and practice, the concept of the indigenous land ethic as well as marketability of land holdings within the bantustans.

3.1. Pre Colonial use of and attitudes to land.

In 1652¹⁹⁰ the territorial definition of each of South Africa's indigenous people was still in flux. The Khoikhoi, San, Nguni, Sotho, Tsonga and Venda people were identifiable by their distinct organisation of production, social structure and language. The boundaries of the area which each people occupied were not static. Production depended on extensive land use; groups moved to maintain production levels in their system of shifting cultivation, pastoral, hunting and gathering activities. Groups traded and respected land rights but there were conflicts as expressed by cattle raiding. Territorial warfare, involving whole tribal communities, developed only at the end of the eighteenth century when separate kingdoms emerged. Victory meant a loss of political territorial power for the vanquished but never a loss of the right of access to land. For example, Shaka incorporated the young men and women surviving his victory over them into his regiments and harems; people were integrated

¹⁹⁰ 1652 is when the Netherlands' East India Company (VOC) occupied Table Bay establishing a refreshment station for their trading ships. Vereenigde Nederlandsche Ge-Octroyeerde Oost-Indische Compagnie (United Netherlands Chartered East India Company) in abbreviated form.

rather than driven into the desert.¹⁹¹ Complete loss of access to arable land was unknown in indigenous culture but became the distinctive feature of colonialism in its steady advance towards capitalist forms of production in agriculture.

For South Africa's indigenous peoples the loss of access to land was a painful and protracted process and was spread over two centuries as the Dutch, and later the English, pursued their objective of total colonial domination. The Khoikhoi and San were the first to be affected; in the eastern part of the country the conquest of tribal chiefdoms and the destruction of their mixed farming systems only occurred decades later.

Colonial conquest took various forms including insidious usurpation, extermination and land seizure after battle. In some cases African chiefs attempted to retain some of their land through 'giving away' a part of the tribal territory, either for personal gain or to safeguard the community against absolute land dispossession. The next sections select some of the dominant groups and describe various aspects of their pre-colonial use of land, experience of land dispossession and social organisation.

3.1.(i) Dependence on extensive land use- the demise of the San:

Colonial records refer to the San and Khoikhoi peoples in offensive terminology as 'Bushmen' and 'Hottentots'. Anthropological writing tended to describe them as remote hunter-gatherer societies, a "quintessential example of a pristine prehistoric society." Wilmsen, supported by extensively researched archival evidence, challenges those conventionally accepted views.¹⁹² There was extensive interaction of the San with other peoples. Evidence contradicts the notion that the Khoikhoi people were simply 'nomadic pastoralists' whereas the San communities lived by hunting and gathering.¹⁹³ It is soundly argued that they became subsistence foragers as a result of a marginalisation process which has roots in pre-colonial indigenous social formations but advanced more

¹⁹¹ Wilson M and L Thompson, 1969, p.124.

¹⁹² Wilmsen, E.N. 1989. Chapter 1 'The Evolution of Illusion' is a masterpiece of tracing out the self deception of historiographers while Chapter 2 'The Poverty of Misappropriated theory' indicates that anthropologists paradoxically established "Bushmen" antiquity while denying them history did so because it fell in with Euroamerican anthropological theory and supported the superiority of "civilised" society.

¹⁹³ Wilson M and L Thompson, 1969, p.63. A dependent client relationship has been described between some San groups attached to Khoikhoi camps but here their differing organisation of production and social structure are presented separately.

rapidly as a result of colonial policies. Anthropological representation of the San denies them a prior history and at best represents a static snapshot of what the San were forced to become in order to survive.

The San people owned vast herds of cattle; archaeological investigation suggests that groups co-existed in a dominant/subordinate relationship. Cattle bones of mainly prime animals are found on the settlements sites of dominant groups whereas the bones of runts and aged animals characterise the settlements of subordinate groups. It is argued that class relationships were inherent in San society.

With regard to the status of land, both San and Khoikhoi shared a common attitude. For both peoples, free movement over a vast land area was imperative. There was no formal legal system of land ownership. Of special importance were established and hereditary rights to water holes and areas of edible plants known as veldkos and, among the San, the private ownership of wild honey beehives.¹⁹⁴

The San people inhabited both seashores and mountains of the entire western half of South Africa at the time of the arrival of the Dutch colonisers. They lived and travelled in 'bands' whose size varied from 25-30 people in more arid areas like the Kalahari to 200-300 people in better rainfall areas. Kinship bonds, closely tied to the transfer of wealth, were less developed in this society whose inheritable resources included cattle, rights to water and land areas of veldkos. The San used regular trails which varied with the seasons and they planned their treks to make the best use of natural resources. Hunting game, fishing, the collection of honey and veldkos provided the basic diet: honey was so important that wild hives were marked as private property and the owners would violently punish a person caught stealing. The San's cooperative approach to exploiting natural resources was notable. One European described passing,

"a magnificent set of pitfalls, which the bushmen who live about these hills had made; the whole breadth of the valley was staked and bushed across. . . When a herd of animals was seen among the hills, the Bushmen drove them through this valley up to the fence."¹⁹⁵

The San people's existence was precarious and depended on access to vast land areas. Colonisation meant loss of cattle and land rights, leading to extermination or enslavement. A report by Ahthing, the Civil Commissioner

¹⁹⁴ibid, pp.48 & 53.

¹⁹⁵ Galton cited by Wilson and Thompson, 1969, pp.48-49

for Namaqualand in 1862 and documental evidence assembled by the historian Marais¹⁹⁶ are a testimony of warfare in which adults were killed and children kidnapped. Wilson and Thompson summarise:

... all made war on the hunters, driving them successively from one range after another: Drakenberg, Piquethburg, Roggeveld, Cambedoo, Sneeuberg, Tarka, and even from 'Bushmanland' along the Orange river. Between 1715 and 1862 the hunters were hunted, almost as they themselves hunted animals, for many white farmers thought and spoke of them as though they were animals, and thousands were killed.

... Children were commonly taken home by members of commandos¹⁹⁷ to be brought up and 'apprenticed' as farm servants, 'tame bushmen' the farmers called them, and indeed the demand for servants was probably one of the reasons for commando expeditions against the hunters. ...Ten wagon loads of children were taken from the Tooverberg according to a survivor from that area.¹⁹⁸

Anthing concludes his 1863 report to the Cape of Good Hope Parliament with a recommendation that a reserve should be established for the San People to prevent their complete liquidation.¹⁹⁹ No such reserves were established for the San people; those who survived moved further and further northward to desert lands in South West Africa and Botswana. These arid lands of little farming value, a poor contrast to the abundance of previous resource areas, provided a safer haven from colonial encroachment.

3.1.(ii). The Khoikhoi: dispossession of livestock, land and extermination

The Khoikhoi social structure was more hierarchical than in the San culture. Kinship and lineage were linked to leadership and inheritance with seniority rules that were respected in each family. Leadership of a group was linked with wealth mainly as represented by the animal stock. This leadership position varied among different groups but in many the senior kinsman assumed some of the judicial functions associated with

¹⁹⁶ Marais M M, 'Armesorg aan die Kaap onder die Kompanjie, 1652-1795 as cited in Wilson M and L Thompson, 1969, p.71.

¹⁹⁷ The name given to the white farmers who engaged in these hunting parties.

¹⁹⁸ Stow, 1905, p.176

¹⁹⁹ Davenport & Hunt, 1974, citing Parliamentary Papers, Cape of Good Hope. 1862, paper A. 39, 4, pp.7-8. "The evidence I had obtained was that the colonists had intruded into that part of the country which borders on the Hartebeeste and Orange river. . . Wild game had become exceedingly scarce ... ostrich eggs, honey, grass seed, and roots had all become exceedingly scarce, the ostriches being destroyed by hunters, the seed and roots in consequence of the intrusion of the colonist flocks....in many cases they died of hunger. . . unless something is done to provide them with a means of subsistence, they must either steal or perish. . . I would again venture to repeat the recommendation to locate the Bush-people on certain places to be set apart for that purpose in the lands which their tribes have for many generations occupied.

chieftaincy.²⁰⁰ The Khoikhoi herded large numbers of cattle and sheep. Up to sixteen hundred cattle and several hundred sheep are reported in the diary of Van Riebeeck, the first commander at the Cape. While there was common pasturage, the animals were owned by families. They slaughtered animals only for ritual purposes and dried the surplus meat for later consumption. They gelded animals and trained oxen to carry riders. They had surpluses for trading and evidence of artifacts, such as copper beads, suggests early trading with the Portuguese through Angola. The Dutch later bartered coral beads for cattle.

The Dutch policy in the Cape was to gain access to the herds of the Khoikhoi and to settle on some of their land. In spite of the Khoikhoi's historical tradition of protecting their breeding stock, using animals for milk and only killing for ritual purposes, the Dutch persuaded them to part with large numbers of animals for beads, tobacco and brandy. Negotiation over the barter or over a land conflict was often 'eased' with alcoholic drink.²⁰¹

In 1657 Van Riebeeck initiated a process of documented freehold land grants to Dutch white settlers.²⁰² This was the beginning of the 'legal' process of dispossession. The land was disposed of by the East India Company who claimed 'title of purchase' from the 'natives'. Doubts were cast, in the contemporary period, on the manner and "just price" for which these supposed 'just title of purchases' were obtained.²⁰³ Contemporary journals suggest that the Khoikhoi had a very different interpretation of the concept of 'purchase price', that the Khoikhoi accepted gifts as 'tribute' for access to the use of their land and in no way viewed the acceptance of the gift as a land sale transaction.²⁰⁴ Other records by missionaries describe insidious theft.²⁰⁵

²⁰⁰ Kolb, 1731, p 142-3, as cited by M. Wilson & L. Thompson, 1969, p.60. "The richest person in the kraal is the captain, or provost: he is the leader of the party, and the spokesman on all occasions."

²⁰¹ Davenport, T.R.H. & K.S. Hunt, (1974), p11, citing H.C.V. Leibbrandt, "Precis of the Cape Archives: Journal, 1676, 283. "the Governor . . met . . the Hottentoo Captain, Cuijper. . . after he had been treated with a little arrack. . . he departed well satisfied."

²⁰² Thom(ed), 1936, pp.90-91, 'Die Geskiedenis van die Skaaboedery in Suid-Afrika' as translated in Davenport and Hunt, 1974, p.2.

²⁰³ Schapera I, 1933, citing Grevenbroek.

'This peninsula .. the Dutch occupied under the command of the great van Riebeeck, and now hold from the natives on a just title of purchase, and with the sanction of the law, and the settlement grows greater day by day in burghers, farms and fortunes; but what the just price was that passed between them the settlers do not know, and the purchasers are averse to stating.'

²⁰⁴ Davenport, T.R.H. & Hunt, K.S. 1974 p.6. Translation of Mentzel, 1741, 'The Hottentots are, as it were, the bloodhounds who smell out the most fertile lands.'

The Khoikhoi did not passively accept being driven northward and 1658-1660 is chronicled as the period of the first Dutch/Khoikhoi war. In 1660 van Riebeeck reported as follows:

'the reasons advanced by them for .. making war upon us last year that our people ... had done them much injury, and also perhaps stolen and eaten up some of their sheep and calves etc., in which there is also some truththey had cause for revenge, they said, upon people who had come to take and occupy their land which had been their own in all ages keeping them off ground upon which they had been accustomed to depasture their cattle.... we were at length compelled to say that they had entirely forfeited that right, through the war which they had waged against us, and that we were not inclined to restore it, as it had now become the property of the Company by the sword and by the laws of war.'

(van Riebeeck report to Chamber XVII in Holland in 1660.²⁰⁶)

Another defeat in the war of 1673-1677 and smallpox epidemics in 1713, 1735, and 1767 decimated most of the Khoikhoi communities. In 1652 the estimated population of the Khoikhoi was more than two hundred thousand; the 1805 Cape census showed only twenty thousand 'Hottentots'.

For those who were not pressed into labouring on white farms, the mission stations provided some protection. This is the origin of the present day six 'Coloured Rural Areas', commonly known as the 'coloured reserves'.²⁰⁷ The organisation of the Khoikhoi production in these areas had to adapt to the much smaller land areas available. Land cultivation and limited pastoral farming was a stringent modification to nomadic pastoralism. The severe land limitations restricted the number of people who could be sustained by farming activity. This, together with a later

When their kraals were discovered in such places several Europeans or Afrikaners soon appear and, by gifts, flattery and other forms of cajolery, wheedle the Hottentots into granting permission for them to settle alongside. But as soon as the pasture land becomes too scanty for the cattle of these newcomers and the Hottentots, the latter are induced by trifling gifts to withdraw and travel further inland.'

²⁰⁵ M Wilson and L Thompson, 1969, p.69. citing John Campbell, 1813, 'Travels in South Africa.' p.329 'We came to a Hottentot kraal, where we would have halted for the night, but their fountain was dried up, so that they would have no water for man or beast, and were to remove from it on the morrow. from their own account they had once a better place, but a boor having asked permission first to sow a little corn, then to erect a mill, they allowed it; after which he applied to the government for a grant of the whole place, which they promised not knowing it was in the possession of the hottentots; of course they were driven from it. An old Hottentot told us that he remembered the time when the boors were all within five days journey of Cape Town, and that the country was full of Hottentot kraals; but they had gradually been driven up country to make room for white people.'

²⁰⁶ Wilson and Thompson, 1969, p.65.

²⁰⁷ Surplus Peoples' Project, 1989, p.1

introduction of taxation laws ensured that wage work and migration would be a permanent necessity to ensure a family's reproduction.

3.1.(iii). The Nguni and Sotho: land access, stratification and the myth of "communality" in agro-pastoral systems.

The Nguni and Sotho speaking peoples differed in lineage, language, and kinship systems. Genealogies of Xhosa, Zulu, Mpondo, Thembu tribes covering generations can be traced out²⁰⁸ but their social structure and organisation of production had much in common. Social stratification and organisation of production enabled a greater production of surpluses than that of the San and the KhoiKhoi. There was social division between the royal family of the chiefs, the artisans and the homestead groups who were responsible for production and cattle herding and from whom the male youth were drawn for military service. As a result of their greater ability to organise resistance they were able to retain more of their land.

Chiefs exercised considerable social control not only in performing judicial functions. The wealth status of a chief was an important source of power. The giving or withholding of a gift of cattle to a young man who had none was decisive: a youth without cattle as the bride price would not be able to marry and enjoy his wife's produce. Patriarchal domination of men over women was well established in Nguni and Sotho speaking peoples; young women moved from tilling their fathers' fields to tilling those of their husbands. ²⁰⁹

Families owned specific land areas for cultivation. The land was selected by a homestead on approval by the chief and then cleared for production. A system of shifting cultivation was used but land lying fallow retained identifiable ownership.²¹⁰ Only alienation from the tribe itself could result in land alienation. The myth of ownership communality is

²⁰⁸Wilson and Thompson, 1969, pp.91-2

²⁰⁹Lewis, J. 1984 citing Morgan, N. 1833, 'An Account of the Amakosae,' South Africa Quarterly Journal, Vol 2, No 1, p.10 "These imizi (homesteads) in general are formed by one family and by others that are united into that family in bonds of friendship or servitude, for there exists in Caffreland a state of vassalage. This kraal is under the control of a person who is generally the senior of the whole and always the father of the many who form this; to him belong the greatest flocks which are pastured near it, to him they look for assistance and advice - a sort of patriarchal authority exists in him and becomes a sort of natural councillor of the nation."

²¹⁰ This model of identifiable land ownership within a system of shifting cultivation continues to exist in many parts of neighbouring Mozambique in which peasants respect ownership without any legal system of title deeds.

derived from the absence of a land market, and from the fact that, unless fences were erected, all cattle would graze the remains of the harvest. Large areas were common property for grazing, hunting and firewood collection. But the land chosen for cultivation was the most fertile land and ownership of such land was a highly valued, if non-monetary, asset.

The organisation of production and stratification of the Xhosa people is particularly well documented. Access to labour power was the important determinant of production capacity and ability to accumulate wealth in the form of cattle. There were considerable economic differences between and within homesteads.²¹¹

In principle, while the opportunity to establish a homestead was open to all married men it was not a real possibility for everyone because of economic limitations. Marriage required access to cattle; wealthier homestead expanded through the acquisition of indebted adherents. Young men who attached themselves were from the poor and had neither enough cattle or suitable land to be able to start a homestead of their own. The extent of social stratification, as indicated through polygamy and possession of cattle, is apparent from 1848 British census figures. Lewis analyses the data from the Ngquika division of the Xhosa under the Chief Sandille. This division was made up of 1 090 homesteads, 5 765 households, and 20 928 people. 32.4 per cent of adult men were unmarried and 47.3 per cent of households were monogamous. Of the 20.3 per cent of households which were polygamous the majority had two wives, some three wives and a small minority had five to seven wives. Of the homesteads 14 per cent had more than eight households thus indicating the incorporation of monogamous or even many of the polygamous households into the dominant homesteads. This pattern of differentiation is mirrored in the data on the ownership of cattle. Twenty per cent of the households had large herds of up to 160 cattle while the remaining 80 per cent owned less than five cattle each. And within this last group 31.5 per cent had no cattle at all.

This pre-colonial Xhosa social formation was not static. Expansion of a homestead would reach its limits (in terms of access to arable land and

²¹¹ Theal, G.M. (ed.) 1897-1905 'Records of the Cape Colony' vol viii pp.204-5 citing a journalist who, shipwrecked for six months, observed the lifestyle of the Xhosa people. 'There are rich and poor among them, but this is according to the number of cattle.The kings have four, five and seven wives. The women do all the work, planting and tilling the earth with sticks to prepare it for their grain . . . The women bring no dowry in marriage, on the contrary the husband pays the bride's father with cattle, and they become slaves to their husbands . . . ornaments go to the men, and the women wear only skins better or worse according to the position of their husbands.'

pasture to support the number of families) and a breakup would occur. The expansion of chiefdom and new chiefs on newly incorporated territory from the 16th century was the result of such expansion. As the chiefdom reached its limits of expansion, the population would realign itself and a group would break away under a new political leadership to attempt to establish themselves on new territory.

The power of these social and economic structures determined not only the response which the Nguni and Sotho peoples were able to make to the colonial invasion of their lands but also the determinants of a continued differentiation of production under the new conditions prevailing after conquest. Before colonial conquest chiefdoms developing power to become kingdoms intensified their struggles with other chiefdoms and these defeated were absorbed into the victorious chiefdoms. But the ongoing dynamic process of Nguni and Southo expansion was checked by the Dutch occupation to the west; although tribal power clashes continued there was, in the nineteenth century, a marked intensification of struggle with the colonisers. In 1806 the British took over from the Dutch in the Cape Colony and the Voortrekker Afrikaners, as the Dutch settlers had become known, steadily moved eastward away from the Cape. The Xhosa were driven out of the Zuurveld which they had occupied since the seventeenth century after losing a major military encounter in 1837. In spite of their capacity to organise regiments of young warriors, the colonisers' use of horses, wagons and guns ensured the defeat of the two most powerful African kingdoms the Ndebele (1837-1838) and the Zulu (1838-1840). The British then annexed the central part of the coastal sector of Natal in 1843 and all the territory between the Orange and Vaal rivers in 1848. The wars with the African chiefdoms continued, with each war weakening the capacity not only to resist but also debilitating the economic base of the society. In the war of 1848 and 1850 the Xhosa people not only lost a lot of land but one observer recorded that over 40,000 cattle were taken by the colonial forces. In the war of 1850-1853 the colonial victors confiscated at least 75,000 cattle.

By 1860 the best farming lands of the entire country were almost completely in the nominal control of the colonisers either in the hands of individuals as farmers or absentee landlords or in the hands of companies. Africans only retained tracts of land under treaties granting limited land rights, by allocation of reserves, through the purchase of portions of the land originally lost in battle and through various forms of tenancy on land now legally owned by whites. The treaties were not always respected (as exemplified by the reservation of land for the Griquas in 1846 certain

conditions of which were revoked against African interests several years later).²¹² Tenancy agreements were exploitative, insecure and the African right to land purchase eventually cancelled.

Black struggles to retain access to land through tenancy agreements is reviewed in section (3.3.). Section (3.6.) deals with social practice and conditions of land access prevailing in the Bantustans. Many of the elements of social practice derive from the social organisation of production of this agro-pastoral system. One of its basic elements within its stratified society was to secure access to land (and food) of the most lowly members of its community. Other elements were the herding of animals on communal pasture whereas arable land was cultivated by individual households and individually owned in spite of the lack of formal title and marketability. Arable holdings were not equal; they differed in size and land quality. The richest most powerful families got access to more fertile lands and were able to cultivate larger portion of it. Inequality rather than egalitarianism characterises the organisation of production of these communities while offering some basic security to all its members. These attitudes made sense in a pre-capitalist organisation of production where overall production of surplus (and its appropriation by chiefs through tribute) was not yet based on a system of land seizure, creation of a proletariat and the accumulation of wealth to be used as productive capital by a minority.

3.2. Colonial Conquest and the Imposition of New Tenure Systems.

At the time of conquest there were no land titles and land was not bought and sold; colonial administrations regarded this an economic anachronism. The Dutch East India company, (VOC) the Dutch government and later the British viewed the conquered land as a marketable asset. Legally documented land grants, sales and tenancy agreements were necessary to this process. VOC's objective was to furnish supplies to its passing ships. Trading with the Khoikhoi was limited and the VOC rapidly encouraged the settlement of Dutch farmers. The VOC settled land to farmers in various ways: in 1657 Van Riebeeck announced freehold land grants which had a series of conditions attached to them in order to ensure surpluses for the Company. For example, Van Riebeeck set out the conditions of allocation of a freehold land grant as:

²¹² Davenport & Hunt, 1974 p.20.

"they shall receive in freehold as much land . . . as five of them may be able to plough . . . or otherwise prepare in three years' time from 1 March next. . . The land will remain their property forever to do with as they like, that is, they may sell, lease, or otherwise alienate it, . . . before the expiry of three years it may not be alienated, sold or leased. . . this is to serve instead of a deed given by mortgage... In addition to grain, (they) are to cultivate tobacco and garden fruits. . . to breed cattle, pigs, geese, ducks, fowls etc.,

Agriculture is to be practised diligently. . . All the produce will be bought by the Company at a fair price to be fixed later."²¹³

Farming, described as "semi subsistence stockfarming because of its extensiveness and relatively small commercialised surpluses, expanded rapidly. By 1700 the existing white farming population increased to such an extent that further immigration was not desired. The Company objective changed from one of securing supplies to also raising additional income. In most cases white settlement had taken place on what were known as "loan farms" of an average size of 3000 morgen. Thus VOC owned the land and allocated it as a gratuitous loan for use. This specific form of tenure enabled farmers to settle on land temporarily and then move later to new regions—thus suiting the needs of a farming population in the process of trekking.²¹⁴ But in 1714 the Company began to charge a yearly rent of twelve riksdollars on grazing land used for grazing and, by way of a tithe, the tenants were "obliged to bring a tenth of the harvest grain to this castle to the lord or the Hon. Company."²¹⁵

Settlers held vast areas of land under these tenancy arrangements. One specific practice used to mark out an area involved horseriding for a specified time. A centre starting point would be chosen and then a person would ride outward bound for thirty minutes and place a marker. This was repeated six or eight times to stake out a perimeter. As a result nineteenth century farm maps are characterised by a hexagonal/octagonal layout. Many farms, staked out according to this practice were between 6000 and 8000 acres. This was accepted as a reasonable, not extraordinary, amount of land for which to make a tenancy request:

"A boor, upon discovering water on a sufficient quantity of unoccupied land, forwards through the secretary of his district, what he terms a 'request' for a place, that is, a memorial, asking for a grant of 6000 acres; and he will hardly pay the expense of measurement for less than 4000 acres. His memorial is referred for report to the Landdrost; and if there exists no real location objection, and the applicant prevents competition by securing the favour of the powerful officer, the land is granted as a matter

²¹³ *ibid.* citing Thom, H.B. 1936, "Die Geskiedenis van die Skaaboerdery in Suid-Africa. pp 90-91.

²¹⁴ Goodfellow, D.M. 1931, p.52.

²¹⁵ Davenport and Hunt. 1974,p2. citing "Kaapse Plakaatboek, ii, p.31.

of course. It is inspected and measured at an expense of from 300 to 600 rixdollars. The annual quitrent is fixed at the inspection, and is generally from thirty to fifty rix dollars, perhaps about one percent upon the estimated value. . . although his tenure requires residence and cultivation, he is not really obliged to conform to it. The occupation is considered sufficient for all the purposes of Government, if he pays his quit-rent, and is enabled, by removing his cattle to it for part of the year, to keep a greater stock and pay a larger opgraaf."²¹⁶

The VOC introduced the practice of 'quitrent' in 1732 which was a tenancy agreement between the company and the settler for a fifteen year period. The company retained an option on the renewal of the tenancy. Records suggest that one idea behind the quitrent was to make additional pieces of land available to the settler farmer so that the old land could lie fallow or be used for winter grazing if needed. However as the farms were so vast this does not seem plausible. Basically the system of quitrent enabled the company to draw an annual rent while offering security for a definite period.

The quitrent practice, however, was not so advantageous to the tenants. The contracts stipulated that if the tenancy agreement were to terminate the company would not compensate for any land improvements that may have been made. Tenants criticised the company complaining that they had no incentive to make farm improvements. Also the colonial settlers wanted ownership not tenancy after hazarding the risks of emigration and trekking. They requested freehold status but company directors were reluctant to lose the increasing annual quitrent revenue. The company proposed a compromise of a "loan freehold tenure". in terms of which the tenant would be granted freehold ownership of 60 morgen and would pay a "recognition fee" of 24 rixdollars a year for the rest of the farmland .

The British abolished the Dutch company practice of quitrent when they took over. They first offered security of tenure in perpetuity; all holders of land on loan could apply for "perpetual quitrent". Application had to be made for an "irrevocable title" to a former "loan place (which) shall not exceed three thousand morgen" for which "the holders shall pay to Public Revenue an increased yearly rent. . . in no case . . . exceeding a sum of two hundred and fifty rix dollars.

The British later further modified land tenure arrangements. Freehold land title, "the right to hold the land hereditarily and . . . to sell

²¹⁶ Thompson, L.M. 1960 pp 105-106.

and otherwise alienate it . . . as free and allodial property" became the dominant form of property holding.²¹⁷

The previous Company and Dutch practice had not involved any capital down payments; existing freehold land titles were the result of grants or on condition of payment of the recognition fee. The British however introduced a lump sum capital payment system from prospective landholders. They declared the land taken over by the British in the nineteenth century as British Crown Lands. In 1860 the Cape Parliament passed an Act to regulate the sale of Crown land subject to an annual quitrent. In this case the 'quitrent' was similar to the on-going British practice which gave property owners marketable title deeds but which requires them to pay ground rent to the British monarchy in order to provide a continuing source of income. In Natal in 1949 the British experimented with another new scheme known as the Byrne scheme which involved the auction of Crown land to British emigrants as part of a plan to systematically colonise the newly conquered territory.²¹⁸

Sir John Cradock, representing the British imperial administration, explained the political economy, ideology and rationale of the British freehold land strategy. When issuing the proclamation to enable the transformation of loan farms into perpetual quitrent he said,

"The whole tenor of the foregoing regulations will manifest the paternal view His Majesty has taken of this Colony; and, in deeply considering the permanent interest of the occupiers of the lands, to what extent the Crown has resolved to sacrifice its rights and prerogatives, in order to place property upon the solid and secure foundation, without which fair adventure and speculation cannot arise, and even common industry and labour will lose much of its effect. . ."²¹⁹

The Land Act of 1913 resulted in further land alienation from blacks; areas were now designated exclusively for white or black occupancy. The state took ownership of thousands of hectares of land displacing blacks and placing white settlers on the land. Settlement schemes such as the Milner scheme had earlier aimed to settle "Englishmen in the new colonies, in order to increase the English vote."²²⁰ Now it was felt the immigrants with

²¹⁷ Davenport & Hunt, 1974p.6. citing Cradock in Theal, G.M. (ed.) "Records of the Cape Colony" ix. 203-8.

²¹⁸ *ibid.* p.7. citing the Colonial Office to Joseph Byrne, 6 January 1949, in Parliamentary Papers, 1849, xxxvi [1059] Correspondence re. the Establishment of the Settlement of Natal.

²¹⁹ Davenport and Hunt, 1974 p.76 citing Theal, "Records", ix, pp.203-208.

²²⁰ Goodfellow, D.M. 1931, p243

capital should look after themselves. The Land Act of 1913 included improved provision for existing or potential white farmers,

"It aimed at assisting carefully selected applicants from the rural districts to obtain freehold tenure of areas of land of not more than 500 morgen. It provided for advances to be made to them in respect of the purchase price of land, and of practically all other expenses incurred during several years, while the settlers were finding their feet"²²¹

Thus the rights and prerogatives of the indigenous people were swept away by a new set of rights and prerogatives won by conquest. They privatised the conquered land, transformed the tenure system and made land into a saleable commodity as part of the foundation of a capitalist economic system. Only some minor land areas were demarcated as African reserves or remained in state possession as Crown Lands; land in white areas had freehold title to be freely marketed albeit (eventually) only among whites. The British therefore finished what the Dutch had begun; they completed the process of expropriation and laid down the conditions for the future organisation of capitalist production.

3.3. The African Struggle to Retain Access to Land.

Land dispossession did not however mark the end of African land struggles. The nature of the struggles changed. Initially, Africans fought a political and diplomatic battle to increase the land designated as reserves. Later, steps were taken to buy in to the new economic order by organising African land purchase. And, most painfully, Africans struggled to retain as much of their farming areas as possible where whites formally held title deeds.

3.3.(i). The creation of "reserves".

Despite the firm military and political grip of white minority rule there was an ever present sense of economic insecurity. White farmers were apprehensive that African farmers would dominate the new market opportunities provided by the opening up of the gold mines. In turn the mine owners were concerned that if Africans could independently make a good living from their own farms less labour would "voluntarily" seek employment. Furthermore the white colonisers periodically expressed psychological fear of being racially outnumbered and endangered,

²²¹ *ibid.* p244

"... Complaints that the kaffirs begin to multiply amongst us, and that depredations are not only increasing, but they make locations on inhabited places, erect numerous kraals, and may become dangerous to our inhabitants; and as it has appeared to our Council that it is necessary that provision should be forthwith made to avoid endangering the whole country."

The "reserves", geographically defined areas into which Africans could be hemmed in, provided the appropriate mechanism to the dominant race group to secure its economic strategy. In 1846 the British established Native Reserves in Natal. As well as demarcating the Reserve areas the British also mapped out and registered 371 farms intended for freehold occupation on the vast lands surrounding the reserves; of these whites claimed only 100 at the time. Many Africans, however, presented claims to these very same farms on the basis of treaties drawn up in earlier periods of the conquest process. Amidst such confusion the British simply decided to disrespect the early accords. The British reason for a disregard of African claims based on treaties is recorded as, "it does not appear that it was intended that those claims should be subject to registration with a view to issue of titles."²²²

But the conquest of battle and pen-strokes of treaties did not effect the physical removal of the African peoples from their heartland of residence and production. On farms not yet claimed by whites or on many of those claimed but not yet occupied, the government wrote, "the majority . . . are either inhabited by Kaffirs, or so densely surrounded by them as to be considered unsafe" Prospective white farmers clamoured for protection and advocated the "resettlement of natives" as a matter of (white) "public faith".²²³

Both the British, governing the Cape and Natal, and the Afrikaners, ruling the Orange Free State and the South African Republic (Transvaal) now shared the view that there should be areas in which Africans would have residential rights with limited production potential. But various documents prove unambiguously that the primary reason for the reserve plan was to control Africans as labour resource. ²²⁴

²²² Davenport and Hunt, 1974 citing Parliament Papers [1880], 1848, pp.57-59, "The Establishment of Native Reserves in Natal: Enclosure in Sir P. Maitland to W.E. Gladstone." 16 May 1846.

²²³ *ibid.*, pp.57-59.

²²⁴ Davenport and Hunt, 1976, p.14. citing G.W.Etbers, *Select Constitutional Documents*, pp.320-325. In 1867, for example, the Afrikaners established a reserve, Witziehoek. They recognised a Paulus Mopeli as the Chief who would have the political power to administer the reserve but stipulated the conditions of his administration. Several conditions indicate the British objective of ensuring that the

The settlers secured a legal right to black child labour and control over the movement of indigenous people. The required payment of a hut tax created considerable pressure for adults to look for wage work (readily available on the mines), especially the poorest strata who had few cattle and limited household labour and who could not therefore generate sufficient produce to raise the compulsory tax payments.

3.3.(ii) African Land Purchase.

In the earlier period, the British and Afrikaners differed on whether Africans who had resources should be allowed to buy freehold farms in the areas outside the reserves. Under the British in the Cape Colony there were no legal restrictions on land purchase. The Transvaal Voortrekker state passed Resolution 159 in 1855 which limited freehold land ownership to burghers and stipulated that "natives" should be precluded from ever receiving such rights. But Afrikaner opinion was divided and fierce political debate continued leading to the annulment of Resolution 159 twenty six years later in 1881 (Article XIII of the Pretoria Convention).

The financial capacity of Africans to purchase land was limited. Theirs had been an agricultural economy with attendant artisanal activity and limited commercial interaction. Whites now controlled trade and the land areas bearing mineral resources, and although Africans could buy the new farming implements which would enable them to increase their commercial surpluses, the funds they could generate through farm sales were limited. In 1905, Parliament discussed statistics on African Land Purchase in the Transvaal which indicated that "the entire African population had bought little more than 1000 morgen of land each year for the past twelve years."²²⁵

Africans rarely succeeded in accumulating sufficient funds to buy farms as individuals; instead they formed syndicates. The chief or headman would organise the collection of money for such a purchase and carry

reserves would secure a supply of labour to white activities outside of the reserves: "5. Mopeli to be obliged to supply men for commandos (to the government of the Orange Free State) 6. No person subordinate to Captain Mopeli shall be allowed to leave the lands assigned to him to live on, without being provided with a printed pass signed by the officer stationed there. . . 8. Hut tax of 10s per annum. . . 16. The Commandant shall have the right to book in (apprentice) coloured children belonging to the territory, till they shall become of age, with burghers of the State, when parents or nearest relatives may request him to do so. . ."

²²⁵ Wilson M and L Thompson, 1971, p 154.

through the necessary legal formalities. For example 55 family members were signatories to the purchase of a piece of land, Bulfontein No 293 and paid in the region of £10 000 for this land. But Africans not only had to secure a cohesive group to collect funds but they also had to fulfil entirely different and more difficult and expensive procedures than whites before they obtained their land title. The Glen Gray Act stipulated, that if Africans expressed interest in purchasing a piece of land, such property would have to be surveyed. An exceedingly high cost was charged for these surveys, sometimes amounting to two to three times the market value of the land.²²⁶

"... the purchase of land was hedged round by many practical difficulties. There were the expenses of the survey. . . A lump sum of money had to be found such as surpassed the comprehension of most natives. And even if all these steps were taken, the native was still not the absolute owner of the land. He found he had taken it by means of what was known as a mortgage. He had to keep on paying sums of money every six months, and if he failed to pay on any occasion, he might lose the land. The native, indeed was a natural victim of the land shark." Goodfellow, 1931, p.230.

Hence blacks were never able to buy significant quantities of land and much of what they did buy was later lost through mortgage foreclosures.²²⁷

3.3.(iii) African Tenancy on Mission and State Crown Land.

Many Africans became tenants on Mission land and Crownland because of the limited reserve areas and their inability to raise funds for land purchase. However it is not clear in all cases whether African farmers took up the offers of tenancy or whether the church occupied land where Africans were already farming. In many cases the community was already on the land in question and the legislation gave official sanction for it to stay. For instance in 1854 "trust tenure" was introduced on mission stations on the Eastern Cape frontier,

"It was not a clear point whether these mission lands were the property of the mission community congregated within it. . . but, . . . was thought desirable that the lands should be granted and held in trust by certain trustees, of which the representative of the mission societies and the civil commissioner of the district should of necessity be members."²²⁸

²²⁶ Goodfellow, D.M. p.154.

²²⁷ Cross, C. 1990, p.4.

²²⁸ Davenport and Hunt, 1976, p.35, citing Further Papers relative to the State of the Kaffir Tribes, July 1855, No. 12, Sir G Cathcart to the Duke of Newcastle, 14th march 1854.

Tenancy conditions differed greatly and changed over time. The Mfengu on a Crown reserve eventually gained the right to perpetual quitrent titles. The Glen Gray Act of 1894 approved the introduction of a system of individual title to all the reserves.

However the white parliamentary debate continued over the conditions under which Africans would be allowed to hold their land. Liberals preferred the introduction of individual title which they believe to be part of the conditions necessary for Africans entrepreneurs who wished to advance their commercial capacity. Others feared the challenge of African entrepreneurship or that the development of agricultural capitalism in the reserves might displace African families. The mining houses had a vested interest in the reserves remaining as places where male workers could leave their wives and children. In this way the mining houses saved on the social investment costs since single male hostel quarters are cheaper than family dwellings but more importantly the mines could pay workers lower wages on the supposition that wives and children were producing food for themselves. This is a controversial proposition as the withdrawal of labour (and land) from black rural families itself undermined the very organisation of production, and weakened the capacity of the rurally based household to produce food.²²⁹

Although the debate on African tenure conditions continued to rage, the position which most benefitted the mining houses gained political ascendancy. The 1913 Land Act explicitly prohibited a system of title deeds in the reserves. In fact the colonial state then imposed the conditions on land in the reserves, overlaying customary pre-colonial land practice, and appointing salary earning "chiefs" to administer what they called the "traditional system of communal land tenure" in the reserves.

3.3.(iv) Rental tenancy.

Many immigrants faced difficulties in establishing profitable farming activities. They lacked operating capital and had never before farmed in these agro-climatic conditions. As the colonialists advanced east and northwards taking over land from the Nguni and Sotho speaking people they encountered a larger agro-pastoral farming population who did not have the same mobility as the San and the Khoikhoi but had every interest in pursuing any option which would allow them to continue farming. The lands eventually available in the reserves, acquired through purchase or

²²⁹ Wolpe H (1972) pp439-444.

through tenure of Mission and Crown Land, were extremely limited relative to the African population who wanted to continue farming.

The land areas initially taken over by each white settler were vast. These farms were subsequently divided and redivided following the tradition of Roman Dutch law in which the land, following the death of the landowner, is divided among his sons. White immigrants who arrived later who did not have a land grant often took up tenancy and were known as "bywoners". Especially prior to the discovery of the gold on the Witwatersrand reef, the profits which immigrants could make out of marketable surpluses were quite limited. Few town settlements needed food supplies. Agricultural entrepreneurs had to look for profitable opportunities using non-perishable items such as skins, hides and wool. Landlordism often provided the most profitable option and African land hunger allowed the landlords to gain greater profits from African tenants than white "bywoner" tenants :

"The owners invariably allowed natives to occupy it [land] in exchange for rent. Very often it appears that this renting to natives was very profitable. We hear of examples of larger amounts per acre being received from natives than ever could have been obtained from white farmers."²³⁰

Africans could pay higher rents than white tenants because in addition to cultivating the farm, family income was supplemented by off-farm wages. Goodfellow refers to these excessive rent charges as "rack-renting" as landowners exploited blacks' willingness "to pay very heavily rather than give up their holdings." Such rack renting (the only option available for many to maintain some access to land) required African families to cultivate large land areas in order to attain the desired level of production for consumption and payment of the exorbitant rent. The tenancy conditions were harsh and there was no security of tenure. Tenants could be legally evicted at any moment on the arbitrary whim of the landlord. Furthermore the landowners did not allow the tenants freedom to organise their own production and placed numerous conditions on the tenancy; eg. in many cases the landowner placed a limit on the number of cattle that could be kept on the land. Whites referred to black tenants as "squatters" which graphically expresses not only the power relationship between white landowners and black tenants but also the general derisive

²³⁰ Goodfellow, D.M. 1933, p.75.

attitude of the whites whether in government, commerce, industry or farming.

3.3.(v) Sharecropping and labour tenancy.

African farming experience and their ownership of cattle and ploughs was extremely beneficial to white immigrants. People living on homesteads which, after conquest, fell outside of these reserve or mission areas sought either to remain on their original land, to which whites now held title deeds, or to trek with their cattle and moveable belongings to seek settlement opportunities on the farms of other whites. Whites were able to exploit Africans' ownership of means of production and their farming skills. Through their acquisition of title deeds white farmers were able to stipulate tenancy conditions which enabled them to enjoy profits without having invested one cent of capital into the farming activity or spending even one cent on wages. White landowners enjoyed profits through Africans' farming on white titled land through monetary rental arrangements, share cropping agreements or through labour tenancy.

The extent of absentee landlordism is not recorded. But even where the landowners lived on the farmstead as owner occupiers the white landowner only partially organised the production activity taking place on the farm. Africans organised their own production activities on the basis of sharecropping and labour tenancy arrangements. At this stage of history African families still had cattle and tools and increasingly began to use their monetary savings gained through sales of agricultural surplus to buy the ploughs which would allow them to expand their cultivated area.

"Share cropping" describes those conditions which permitted African land occupation in return for a payment of rent in the form of part of their crops. When the landlord took as much as half of the black tenants production this was known as "sowing on halves" whereas "sowing on shares" meant the tenant and landlord negotiated the percentage to be paid in kind. Under the sharecropping system the white landowner did not mark out any specific area which would then be under the control of the black tenant. The sharecropper worked the white's land on condition that after harvest the produce would be split between sharecropper and landowner. Many sharecroppers financed the entire production activity. They ploughed with their own oxen and tools, sowed their own seed, carried the costs of depreciation. The "share" paid to landlord was considerable. Thus tenants were squeezed to produce sufficient output, which after the share

payment, would leave enough produce for home consumption and the sales needed to purchase other necessities and save for investment. In the 1970s and 1980s the rental norm for white tenants renting land from white landowners has been a rental value approximating five percent of the value of the crop - thus a very different norm to that of "sowing on halves"!

Labour tenants entered into very different contracts. In law they are treated as employees, not tenants; contracts stipulated that in exchange for an area of land which the labour tenant could farm as if it were his/her own then certain members of the family would provide labour services to the landowner. This labour would either not be paid for, or would be a nominal sum; the labour service was in lieu of rental payment for the black family's use of land for cultivation and grazing cattle. Black families therefore cultivated defined land areas (usually the poorest part of the farm area) and occasionally the landowner laid down conditions about the number of cattle, sheep and goats that could be grazed. In the early part of labour tenancy history these conditions were fairly lax but later whites laid down more and more stringent conditions as part of a strategy to weaken independent African production and secure a more readily available labour source.

African farming activities on white-owned land were the source of a continuous and tense debate resulting in legislative changes over many decades. Whites who were trying to make profits from their own entrepreneurial activities rather than as landlords often faced difficulties in recruiting black labour at the wage rates that they offered. They complained bitterly of labour shortage problems and tended to blame the continuity of independent African production as a major cause. White farmers referred to black tenancy as "kaffir farming" and, especially in the Cape Colony, argued that the system of black tenancy "had the effect of locking up labour so that it was not available for the general agricultural development of the country."²³¹

But in general the white colonisers had neither the capital nor, at first, the skills to develop fully fledged capitalist farming. For many, at this stage of economic and technological development landlordism was the most profitable and therefore preferred option. Hence early colonialists developed this "semi-feudal" system in order to obtain agricultural surplus;

²³¹ *ibid*, p.77.

Africans paid rent in kind or labour to either white landowners, the church (through farms occupied by Mission stations) and the Crown/state.²³²

3.4. Land access and conditions of tenure in "Bantustans".

The initial "reserves" (and later "homelands") scheme aimed to avoid complete black land dispossession in the albeit reduced land area. In order to prevent land sales and hence dispossession the government had, anachronistically, to prevent the emergence of land marketability within a capitalist economy. Ironically South African academics have written, "An open market for land, plus legal safeguards, is the best protection against a doctrinaire Marxist approach which removes all land from the reach of market forces."²³³ But South Africa's leading capitalists, in the interest of increased profitability, supported the creation of "reserves" where blacks would have long term access to land from which they could neither sell nor themselves be removed.

3.4.(i). Black Population and Land availability 1985.

The 1913 Land Act delimited "scheduled areas" for black occupation and established the spatial framework for apartheid. The 1936 Land Act provided the legal framework under which some of the surviving African freehold land was incorporated into the reserves. But black freehold in the areas now designated as white were labelled as "blackspots" and the regime dispossessed and forcibly removed these freeholders. Before the Nationalist Party took power in 1948 land had been territorially divided on a racial basis but not ethnically; the "reserves" were inhabited by Africans of differing ethnic origin. Lebowa, for example, previously formed one geographic entity which the Nationalists now divided into Gazankulu, Venda and KwaNdebele "homelands". The grand design of the Nationalists Party's apartheid rule was to divide the African population further by creating these 'Homelands' strictly according to tribal origin. The 1959 Bantu Self Government Act decreed that the North Sotho should reside in the area defined as Lebowa, the South Sotho in QwaQwa, the Tswana in Bophutatswana, the Zulu in KwaZulu, the Swazi in KaNgwane, the Tsonga in Gazankulu, the Venda in Venda. For the Xhosa, two "homelands" were defined, the Ciskei and the Transkei. Later the white National Party government mapped out yet another area for the South Ndebele, KwaNdebele.

²³² Morris, M.L. 1976, p.293

²³³ Behrmann, H.I. 1980, p.21.

Between 1946 and 1962 there were risings in Witziesshoek, on the border of Lesotho; in Marica just south of Botswana; in Sekhukhuneland in north-western Transvaal; in Zululand on the South Coast and throughout the Transkei.²³⁴ The Pondo revolts in the Transkei and the Sekhukhuneland resistance in 1958 are specific testimony to the deep opposition aroused against the government's imposition of new territorial authorities.²³⁵ Furthermore the government wiped out the little that remained of parliamentary representation of Africans who were instead conferred with "citizenship" of the "homelands" through the Bantu Homeland Citizen Bill of 1969.

Since 1948 the National Party government removed millions of Africans from 'white' South Africa in addition to those displaced in earlier periods. A quarter of a million have been removed from so-called 'blackspots'. One and a half million were removed as a result of the abolition of labour tenancy and squatting, and as many as 400 000 Africans, considered as 'unproductive' were forced out of the urban areas to the bantustans. The overcrowded masses of the unemployed and landless in the tribal homelands are the result of apartheid policy wherein:

"... the only basis on which the bantu is present in the white areas is to sell their labour power and nothing else."

(1976. M.C. Botha, Minister of Labour and Manpower.)²³⁶

Of South Africa's almost five million whites, only half a million live outside the cities. They are the 60,000 white farmers, their families and the populations of the small rural towns which service the farming industry. 44% of South Africa's disenfranchised blacks live and work in the so-called "white" urban and rural areas and constitute the core of the workforce. 56%, a residual group, inhabit the "bantustan" "reserves"; they are mostly the elderly, women, unemployed youth and children. These 14 million people now live in the confines of 16,7 million hectares but half of them are landless.

The definition of arable and non-arable land is controversial. Earlier classifications failed to take account of land slope and as a result steep sided

²³⁴ Mbeki, G. 1964, p111-134

²³⁵ See D.A. James's dissertation, 1987, "Kinship and Land in an Inter-Ethnic Rural Community" for an account of the insecurity and divisiveness caused by the National party's ethnic policy.

²³⁶ Mbongwa, 1984, p11

hills were categorised as arable. There is evidence that in the 'homelands' much of the classification of 'arable' land is incorrect.²³⁷

Table.3.1. Racial Land Distribution

<u>Land Distribution, Bantustans</u>	<u>Rest of RSA</u>	<u>Total for RSA</u>
<u>Surface Area</u> (<u>'000 Ha.</u>)	16,727	105,373
<u>Arable Land</u>	2,338	12,260
<u>% Arable</u>	14%	12%

Source: Abstract of Agricultural Statistics, 1987, Table 5

Table 3.2: African Population and Access to Land in the 'Homelands'²³⁸

	(1) <u>Surface Area</u> (<u>'000 Ha.</u>)	(2) <u>Arable</u> (<u>'000 Ha.</u>)	(3) <u>Population</u> (<u>'000</u>)	(4) <u>Arable land</u> <u>/household</u> <u>of 6 persons</u>
Ciskei	650	75	750	0.6
Transkei	4,355	754	3,000	1.5
KwaZulu	3,316	565	4,382	0.8
Venda	620	65	460	0.8
Lebowa	2,454	347	2,157	1.0
Gazankulu	773	65	620	0.6
Bophutat -swana	4,000	400	1,721	1.4
Kangwane	300	36	448	0.5
KwaNdebele	197	24	286	0.5
Qwaqwa	62	7	209	0.2
Sub Total	16,727	2,338	14,043	

2.8. million families live in the 'homelands'²³⁹. Cobbett's data, Table 3.2., column 4, on the difference in land availability per household indicates the miniscule average.²⁴⁰ Even so there are several qualifications to these averages. Many bantustan residents live in 'closer settlements' ie an urban type high density housing zone. It is suggested that up to 40 percent of the

²³⁷ Lenta, 1981

²³⁸ Cobbett M, 1987, p8.Table 1.

²³⁹ This is based on a household average of 5 which is high for a society dominated by migrancy. For similar communities in neighbouring Mozambique the census data family average is less than five. See Centre of African Studies. 1986. 'Marracuene: Terms of trade'

²⁴⁰ compare these average per black household farm with the figures in Chapter 3 on white farming where the average is more than 1000 hectares.

homeland population live in such zones but even taking this into consideration the mean amount of arable land per household is still below two hectares.²⁴¹ On the other hand there is increased corporate investment in land in bantustans. These tend to take place on areas being annexed to bantustans as relatively small amounts of land are bought by government and transferred in fulfillment of the 1936 objective of making 13% of land available to blacks.²⁴² Bantustan development parastatals and private sector investments are mainly responsible for increase in the value of bantustans' marketed agricultural produce from R56,2 million in 1970 to R163 million in 1985; a real increase of 190 percent.²⁴³ The occupation of this annexed land by parastatals and the private sector (especially in KwaZulu) inflates the amount of land apparently available to black households without their effectively gaining access to it. Estimates of landlessness now range from 25 per cent to 60 per cent²⁴⁴ as between communities; those who have land differ considerably in the size of holdings and organisation of production.

3.4.(ii). Tenure: a web of regulation modified by social practice

Africans gain limited access to land through various tenure systems which operate in the "homelands": communal tenure, trust tenure, quitrent, freehold and leasehold. These vary enormously in the degree of state control to which they are subject. In areas where there is less state control people have modified their tenure systems to accommodate changing conditions. Therefore although several tenure systems operate officially informal systems have developed in practice.

The communal tenure system, a colonial modification of the indigenous communitarian system, has so far proved most able to respond to social crisis in the rural areas. "Communal land" is mostly administered by chiefs under the Tribal Authority system of the homelands but where there is more state control local magistrates exercise authority. There are widespread reports of corruption in the administration of land; and chiefs have mostly collaborated with the state to implement unpopular policies such as "betterment" which did not allow for widely spread homesteads but grouped houses together, demarcated arable fields and grazing areas and insisted on cattle culling and fencing. Where chiefs have supported popular

²⁴¹ *ibid*, p7

²⁴² Letsoalo, E. 1987, p66, and p71.

²⁴³ *ibid*, p10.

²⁴⁴ Yawitch, J. 1982, May, Natrass and Peters, 1985

resistance to betterment or to forced incorporation into homelands, the rightful chief has been replaced with a state approved appointment.

Notwithstanding all these difficulties, the communal land tenure system has offered most autonomy (comparatively) to communities who have been able to preserve some of the character of land rights most valued by Africans. Conceptions of land right differ significantly from the capitalist conception of property rights. Cross writes "Land is as much a relation between people as it is the means of production. . . . Where the state has not taken control, land granting takes place between families and descent groups. It creates ties of clientship between the families involved; households living on what was once one landholding tend to form a cooperating territorial group and maintain internal solidarity. These connections are building blocks for survival strategies."²⁴⁵

The concept of the land right "ethic" embodies the following set of principles²⁴⁶:

- (i) a right of access to land which once conferred gives civic status and the right to participate in community affairs,
- (ii) access is not just to an arable plot but includes a residential site, grazing rights and access to common property resources (wood, water, reeds, clay) irrespective of their location,
- (iii) the right of the community to pressurize for the transfer of unused or underutilised land according to need,
- (iv) long term occupancy of loaned land confers legitimate permanent right,
- (v) the family land holding is governed by the male head of the household who respects the rights of relatives, heirs, wives. Land is transferred as needed rather than inherited. In more modern areas the focus becomes restricted to immediate family rather than the male-line kinship group.²⁴⁷

Ethnic tradition persists and within families the process of land exchanging hands in the "reserves" is through a system of devolution rather than inheritance. Land acquisition comes with marriage rather than death; as members of the family marry they may request the allocation of a kraal site, an area of cropping land and the right to graze stock on the communal grazing area. So a system of ultimogeniture prevails because

²⁴⁵ Cross, C. 1990b, p1.

²⁴⁶ *ibid.* p.5.

²⁴⁷ Cross 1990b, pp. 1-2, James, 1987.

other household members will already have procured allotments.²⁴⁸ Furthermore, land access after marriage is a male prerogative. A daughter-in-law may gain access to family land whereas an unmarried daughter may only continue to work on her father's land for as long as he or her mother is alive.²⁴⁹

Considerable research on land tenure in the homelands²⁵⁰ concludes that, "(it is) a myth . . . that land tenure in the homelands is communal. Only certain resources which do not occur on the individuals holdings are used communally, notably commonage grazing. The arable land is held . . . securely. . . under individual tenure."²⁵¹

Most of the land occupied by blacks falls under the ultimate jurisdiction of the South African Development Trust, but the term "trust tenure" itself refers to a controlled land system on land which the South African state bought from white farmers to be added on to the "homelands" Trust tenure is the most controlled tenure system and hence affords the least popular control. In many areas even chiefs exercised little control; instead state officials register arable plots, impose "betterment" instructions, control stock and rotate grazing areas, restrict housing patterns and may even appoint and sack farmers. Landholders pay a small rent for the one allotted field which may not be subdivided, sharecropped or even freely loaned. In part of the Transvaal and Transkei where trust tenure operates, landlessness is over 50% because of control over subdivision. People have almost no autonomy or flexibility. There is no administrative imperative even to respect any principle of inheritance. Cross states categorically that trust tenure is unpopular; it has no social or political basis except to underpin "the apartheid state and its structures of indirect rule.

Historically, quitrent for whites was almost on a par with freehold; whites who were granted perpetual quitrent by the state could sell or transfer land. However an element of conditionality remained: the state retained the right to demand the transfer of tenancy - a right it might exercise if say the farmer's land use practices were poor. However quitrent

²⁴⁸ James, 1987, p 141 notes, "Far from amounting to preferential treatment for the youngest, this type of inheritance involves a substantial burden of responsibility upon the heir, whose duty it becomes to care for his ageing mother, or for both parents in the case of a monogamous marriage.

²⁴⁹ *ibid*, pp.97-124.

²⁵⁰ especially Cross. C

²⁵¹ The Urban Foundation, 1990, p.20.

for blacks is more conditional, occurs infrequently, is almost never marketed, but is attractive as it allows for more individual control over land than either communal or trust tenure. Quitrents granted in the Ciskei in the 1980s consist of larger plots, subdivision is illegal, inheritance goes to the eldest son with widows enjoying usufruct. Quitrent holders, according to Cross, "constitute a landed class maintained by state action". Although quitrent farmers seem to be less affected by state planning interference and have almost as much security as freeholders, they must strictly use their quitrent land for family residence and family production.

Besides trust tenure and quitrent the state operates yet another leasehold system making land available to individuals. These leasehold are mostly available through state run agricultural development projects or on business sites where the state rents out land to black entrepreneurs.²⁵²

Where black South Africans have been able to maintain freehold ownership of land they have been able²⁵³ to control their own land use and transfer and respond most effectively to changing demographic and economic conditions. The results are not always positive. Few freeholds belong to blacks who farm either through the use of wage labour or tenants. Many freehold purchases were carried out by families or syndicates and these farms are now heavily populated by descendants of the original purchasers and extended clientele. Black freeholds are almost never marketed. Many freeholders have become landlords of residential tenants, especially on freeholds in areas which have become peri-urban. Class differentiation and contradictions are emerging strongly and landlords go armed when collecting rents.²⁵⁴ In other areas the patron client relationships are exploited to further political disputes; Cross suggests that violence in Natal's tenancy areas is exacerbated by "politicised local patron-client followings controlled by men described as 'warlords'.

Black freeholds are areas of political power. Freeholds once represented the "progressive" ideal - an area where Africans could

²⁵² *ibid*, p.22;

²⁵³ This point of view is informed by various experiences and considerations. (i) The state should not acquire land unless there is an demand for it in that location. (ii) People with specific land claims may be expected to actively pursue these but beyond that there is the issue of million of unemployed. In neighbouring states a forced 'back to the land' policy has been tried. (See Hanlon, 1984, pp. 244 -249) It is felt that this is unacceptable. It was felt that the economic terms of trade and living conditions in the rural areas needed to prove themselves attractive and then the state should facilitate land acquisition

²⁵⁴ Violence in 1985 in Inanda's tenancy areas was apparently directed at landlords. Cross, 1990, p.22.

continue communitarian ideas without government interference. However there has been a steadfast breakdown of some of the "communal" land right principles. For example cash paying tenants never gain a legitimate right through prolonged occupancy and an influx of new arrivals into peri-urban tenant areas has broken down long established social, patron-client relationship which enjoyed quasi-traditional use rights.

3.4.3. Land Marketability.

The accommodation of differing attitudes towards land, the inheritance of racially based and varying tenure systems requires flexible approaches, innovation and regional sensitivity in the future. In terms of land and tenure reform there is a reported strongly-held view that there should be access to land as a god-given resource²⁵⁵ from which people should not profit through rent or sale but marketability is an ever increasing occurrence even in areas held under communal tenure.

The state controlled tenure systems are riddled with corruption documented by innumerable rural researchers.²⁵⁶ Baskin, interviewing families in the Transkei, found nearly all the interviews revealed that a large degree of corruption existed in the distribution of land; a situation which emerges as a result of land scarcity and the great desire of the people for land.²⁵⁷

Q 'Are the arable plots of this location of the same size?'

A. 'No.'

Q 'Who possesses bigger plots?'

A. 'Those who administer the land.'

Q 'What do you mean by that?'

A. 'I mean the headman, land is for sale.'

Q 'Where is the level bought?'

A. 'At the headman, you can even buy a beast so that you can get somebody's land.'

Q 'Do you mean to say that I can give a headman a beast and then takeover land which belonged to another person.'

A. 'Yes.'

Cross notes on-the-ground increase in land transactions whether in remote rural or peri-urban areas. She draws attention to a recurring sociological phenomenon that expressed social attitude often lags behind actual social practice ie. verbal expression often represents tradition and belies the changes taking place. Cross sets out her researched "directions of

²⁵⁵ Claassens, A. 1989.

²⁵⁶ Letsoalo L, 1987, Baskin, 1985, Behrmann, 1980, Haines and Tapscott 1988,

²⁵⁷ Baskin, 1984

change in land right perceptions".²⁵⁸ She notes an expressed popular attraction to freehold: "The risks it carries of losing the land parcel through debt or desperation and of promoting elite control are less widely perceived."²⁵⁹ Democratisation at the local government level to facilitate ground level discussion of who gains access to and control over land will be an essential part of transforming the tenure system.

The inception of formal apartheid caused far-reaching and differentiating changes in black land economy. The removal of people from white farms and black freehold farms in white areas increased dependency on remittances from wages of family members who had wage employment. Black farming was itself undermined through land shortage, loss of means of production and loss of labour itself as the most able bodied family members migrated in search of wage work. Bantustans are characterised by a circulating and increasing population; outmigration to peri-urban areas (often temporary) as well as demographic increases due to both removals and natural increase have catalysed tenure changes. Land rights in vast shack settlements are translated into residential tenancies and land rental and sales are commonplace. Even in remote rural districts where land resources are under severe pressure informal (illegal) land markets have developed.

I have described several forms of tenure operating in South Africa's black land areas; they range from communal tenure, trust tenure, quitrent to freehold. In the first three of these, a marketed exchange of ownership has been expressly forbidden by the state in the past. Exchange of ownership is rare in the pockets of freehold land in black areas.

Payment for access to land is an increasing phenomenon. Five different situations can be identified, (a) payment for land access in tribal

²⁵⁸ Cross, C. 1990b, memo to Centre of Applied Legal Studies. p.4. "Different principles are changing at different rates but the changes in land right perceptions are approximately as follows: (1) Universal access gives way to an acceptance that access to land is conditional and not automatic. (2) General access to the factors of subsistence transforms into a conditional access to transport and intermediary modern-economy household support factors. (3) A universal value of use priority over non-utilitarian ownership relaxes to allow for private discretion in land transfer. (4) The obligation to continuing exchange gives way to the economic principle that land transfers are one off and final. (5) The obligation to return land at need is taken over by assertions of the landholders individual decision autonomy. (6) Acceptance that occupancy means gradual transfer gives way to a belief in permanent individual ownership. (7) Vested claims to the land parcel simplify to an individual ownership right. (8) The commitment to continuity of the descent group dwindles to continuity of the individual family line. (9) The principle of settlement seniority moves towards a simple egalitarianism.

²⁵⁹ Cross, 1990a, p.27.

areas, (b) cash rentals on either trust or freehold areas, (c) sharecropping, (d) cash rentals in peri-urban areas and (e) institutionally supported rental arrangements in agri-business areas.

While land is not officially on sale there is substantial evidence that in fact people do informally pay a "price" for their access to it.²⁶⁰ 'While the land is held as a right, a new occupier of land, such as a newly married man is required to pay a traditional fee to the Chief or headman.²⁶¹ In the Abakwamkhanazi tribe in Natal the chief is paid approximately R40 plus gifts such as drink, while the induna receives about R10 plus gifts. Jeppe also mentions that rights to land may be sold or leased among the tribespeople, although not on credit or mortgage.²⁶²

However, in spite of these changes (which mean new entrants may pay for access) the principle of right of access has been upheld. The result is a diminishing size of fields and environmental degradation.²⁶³ This is not however a uniform experience; in the Ciskei fields are registered as the result of extensive state control and subdivision to accommodate population increase is not permitted. Such state control and other state tenures, ie. trust tenure, quitrent, development schemes, which discriminate and allow land to some people and not to others are seen as fundamentally unjust and interfering with the accepted practice of indigenous tenure rights.

Cash rentals are a very delicate matter in black rural areas. Having more land than one can use for oneself and making it available to be loaned by another family or community member amounts to an open admission that one has more than one needs or can effectively use. According to the tenets of indigenous land rights, a loan, if extended, transforms itself into an ownership right for the lessee.

Land is a scarce resource and there is great reluctance to part with ownership rights. The family may live off migrant remittances and not need to use the land at present - but they do not expect to move permanently to an urban-industrial area and want to keep their land access rights. The

²⁶⁰ Behrmann, 1980,p19, Baskin, J. 1984

²⁶¹ There is intense resentment of the rural elite, the chiefs, the headmen and tribal authority who support the homeland government. In an ANC workshop, October 1990, there was a heated debate on whether Tribal Authorities who want to work with the ANC should be allowed to. The debate concluded by recognising the abhorrent role played by many members of Tribal Authorities but that there were exceptions of chiefs who had supported popular struggles. Source: participant observation.

²⁶² Behrmann, H.L., 1980 p19

²⁶³ Cross, 1990a, p11.

family may also not use land because their cash sources are used up and nothing remains for the purchase of inputs -the family hopes to be able to use the land at some time in the future.

There is some evidence of sharecropping in the bantustans. Fieldworkers have mostly cited cases where widows enter sharecropping arrangements when they are too old to work their own land for themselves.²⁶⁴

Cash rentals have become common in black peri-urban areas. While black freeholds almost never change ownership, many freeholders have become landlords to residential tenants especially in rural areas which have become peri-urban as cities have expanded. In KwaZulu's peri-urban areas class contradictions are emerging strongly within such communities and there has been a steady breakdown of some of the "communal" land right principles. Cash paying tenants, for example, never gain a legitimate right to ownership through prolonged occupancy as was historically the case. The influx of new arrivals into peri-urban tenant areas has broken down long established social, patron-client relationships which previously enjoyed quasi-traditional use rights.

While this peri-urban cash rental situation may seem to provide the basis for more liberal land transaction patterns in the future, there has been a certain halt to their development in the war-torn areas in KwaZulu. The open cash rentals approach allowed for "outsiders" to gain footholds in what were previously stable extended family network communities. The "outsiders" are now identified as the "harbingers" of violence and communities have entered a phase of "closing up; new entrants from further flung rural areas only succeed in gaining access if they are vouched for by existing members of the community.²⁶⁵

There are increasing instances of institutionally supported rental arrangements. Black land-owners in the sugar areas of Natal have begun to rent out land. They rent out land more commonly to whites than to blacks. The rental arrangement to white sugar producers is in the form of a Contract Service Agreement. The black, mostly absentee, landlord receives between 10% to 15% of the gross returns as the rental payment.²⁶⁶ It is said

²⁶⁴ May, J. 1987.

²⁶⁵ Author's field interview notes, peri-urban areas outside Pine Town, Durban, Natal, February 1992.

²⁶⁶ Thompson D and M Lynne, 1992, p12-15

that these black landholders feel that rental to whites is outside the cultural boundaries of indigenous land right practice and therefore liberates the landholder from the expectations which a black tenant would have.

There has also been an increase of land rentals between blacks in sugar producing areas where the landholder has a production quota. It seems that the possession of a production quota which is granted for a specific piece of land gives the holder a sense of indisputable right quite independent of who is tilling the land. The landowner who has a production quota thus feels able to lease the land and here too it is understood that the rental arrangement cannot approximate to an ownership right over time.

Protagonists of a freehold, free-market, non-racial land system point critically to land utilisation in the bantustans; they blame communality and the indigenous land right ethic as the principle cause of land underutilisation. This will be explored more fully in the next chapter. But it is very clear that tenants' rights are also tenuous. There is no protective tenant legislation of the kind that has been developed by tenant farmers in the U.K., and it is the lack of tenant rights which Vaughan has identified as the major factor inhibiting land rentals in KwaZulu rather than the tenure conditions and concept of indigenous land ethic.²⁶⁷

3.5. Conclusion.

The accommodation of differing attitudes towards land, and the legacy of racially based tenure systems will require flexible approaches, regional sensitivity and innovation in a transformation period involving land reform. And, not least of all, it will require some sweeping questioning of conventional wisdoms and attitudes to white and black farming. Fikile Bam concludes that, "the sum total of all the 'politicking' preceding and motivating the passing of the various legislative enactments relating to land and its use, has been the firm grafting of a black and white mentality. . . . When thinking 'white', concepts that spring to mind are ownership, registration, title deeds, mortgage bonds, servitudes, leases, succession and the will." I would add: modern, technically superior, and efficient. For Bam "When thinking 'black' on the other hand, it is chiefs, superintendents, allotments, soil erosion, permits, squatting, curfew, trespass, evictions and removals that impulsively capture the imagination."²⁶⁸ Bam's list however is

²⁶⁷ personal discussion with A. Vaughan, University of Durban-Westville.

²⁶⁸ Bam, F. 1987, p4.

incomplete; expressed views on black farming also include: technically backward, economically unmotivated with uneconomic, unscientific attitudes to livestock holding, outmoded concept of land rights.

This racial land characterisation contrasts strongly with the earlier discussion on theory of rent and land valuation which was firmly based within the context of a unitary system of marketable capitalist farms using a fully fledged rural proletariat, divorced from its means of production working for cash wages.

The evolution towards agrarian capitalism in South Africa, however, is more accurately portrayed by a conception of lengthy interdependence. White agriculture depended for its development on the elimination of emergent black entrepreneurs and their subordination. Their transformation into tenants gave initial access to their labour and means of production. As the capital basis of white agriculture strengthened and farmers eventually mechanised, farmworkers have been expelled. The setting up of bantustans allowed some black households to retain access to land while ensuring that the insufficient land base would provide a labour pool for industry and white agriculture. Moreover the drain of migrant labour from black rural households undermined their productive base. Bantustans now provide the basic source of casual farm labour; homeland residents depend on remittances for their basic reproduction. Any use they make of land also depends on remittances to pay for ploughing, seeds, fertiliser and sometimes labour.

But among agrarian producers, black and white there are considerable differences within the organisation of their production. These differences give rise to differing attitudes to land reform. Some blacks, especially those who have been labour tenants or who were removed from blackspots to desolate bantustan residences without access to land on which to produce commercially or retain their livestock, look forward to renewed farming possibilities. The profitable sector of white farms expects business continuity whereas the indebted grain farming sector, as reviewed in Chapter 1, (situated in the historically most conservative regions: the Transvaal and the Orange Free State) is fearful of forthcoming reform. The following two chapters examine changes in the organisation of agriculture among black and white producers between 1948 to 1990. This identification of economic stratification and understanding of socio-political attitudes is essential; it highlights the necessity of flexibility in policy design in keeping with the homogeneity of the rural population.

Chapter 4. White commercial farming: state intervention, technological innovation and increasing stratification.

The history of white farming from early conquest until the late twentieth century is punctuated by racially biased legislation concerning land and labour and increased state intervention to provide favourable economic conditions for the dominant, ie. white, group.

This chapter describes the role of the state in shaping and reshaping not only the technical and geographic profile of agriculture but also who farms and under what conditions. State fostered white owner-occupier hegemony involved systematic expulsion of Africans from the land, legislation designed to ensure a supply of cheap labour and extensive state economic and technical support. This support, apart from enhancing the investment potential of farms, also made it possible for less efficient farmers to survive. Section 4.1 reviews state assistance from the early period of colonisation to 1948 the year in which the National Party won the white election. Section 4.2. summarises the evaluation of the status quo carried out by a government commission in the late 1960s and the decision to support centralisation and productivity improvements is reviewed in 4.3. From 1975-1990 the state focussed more on economic efficiency; Section 4.4 provides an outline of government support to a modernisation process and its effects on farming structure. Section 4.5. outline the governments' policy initiatives to move commercial farming on to a free-market footing. Since the 1980s, it promoted deregulation and began to cut back on subsidies. The latest period since 1990 is one of political flux wherein stated economic objectives diverge from the consequences of actual practice as policy is compromised due to political considerations. Increasing stratification has been one of the consequences of deregulation and faced with political lobbying from the white farming constituency the government has succumbed to pressure to bail out the white farming constituency the governing thus continuing racist policy practice.

4.1. State Support up to 1948

State intervention to support colonial settler agriculture increased gradually. In the early period of colonisation prior to 1870 intervention was designed to facilitate the expropriation of the best agricultural lands from blacks and allocate them to white settlers at low or no costs. Some settlers developed vineyards and exported wine and wool. But most settler farming in this early period was semi-subsistence stock farming. State assistance

came in the form of very low rentals in this period.²⁶⁹ Transport was a major difficulty; animals trekked not only between points of sale but also to summer and winter grazing areas. Drought reduced the natural grazing on the transport routes restricting the movement of produce. Moreover oxen trekked slowly limiting produce to that suited for transport over large distances such as wool and pastoral produce.

There was some diversification of farming activities. Ostrich farming boomed as an export industry for a limited period until fashions in Europe changed drastically. Companies invested in sugar plantations and sugar mills. African farmers were also encouraged to cultivate sugar. Plantation owners found it difficult to recruit workers for their plantations, in part because they did not offer any access to land as in the labour tenant farming system. The state intervened to ease the labour shortage through the importation of thousands of indentured Indian agricultural workers.

State support to farmers increased as the mining industry developed after 1870 because of rising domestic demand for agricultural produce. The state's most important assistance to white farmers was its investment in rail transport to link the mining areas to the three Cape ports. The state also imposed customs tariffs on imports which specially benefitted the Natal sugar producers and the wheat and maize farmers. A rail subsidy, granted only to whites, applied to produce en route to the Witwatersrand and remained in place for more than a century. The "colonial-produce-rate" (as the subsidised tariff was called) also lessened locational advantage giving more distant farmers an equal benefit from the mining trade in Kimberly.

Low rainfall made arable farming risky in many areas. The colonial settlers wanted irrigation schemes wherever possible but lacked both the capital and the necessary technical expertise. Their lobby succeeded and in 1876 the government passed the Irrigation Act; it was the first of a series of acts which gave white farmers the right to receive subsidised technical advice from government engineers and special loans for irrigation works.

In the 1890s South African agriculture faced serious setbacks. Destruction of crops by locusts followed drought seasons. These disasters

²⁶⁹ Davenport and Hunt, 1976, p3. citing reports of De Chavonnes and of Van Imhoff. In 1743, when introducing "loan freehold tenure" the VOC company administrator, Van Imhoff, reviewed rent levels and advised that they should remain at 24 rixdollars because "to some of them (*the farm occupants*) it was a hardship when rent was increased from 12 to 24 rixdollars. In such cases, you, as honest and faithful ministers, must use your discretion and be considerate."

were followed in 1896 by a serious plague of cattle diseases which were exacerbated by poor veterinary practices which the state undertook to improve. Political strife also exacerbated the effects of the natural disasters. During the Anglo-Boer war, 1899-1902, British soldiers demolished farm buildings and razed farmland. They devastated considerable areas of farming land belonging to Boer settler families: "Not less than a thousand individuals have been torn loose from the land which was their way of life and the pillar of their self-respect."²⁷⁰ Although undocumented, presumably many more thousand black families were also affected. These natural disasters and war damage occurred while the mining industry was rapidly developing.

After the Anglo-Boer war the authorities were even more concerned to assist agriculture. The state committed itself to building a flourishing white agriculture and securing a greater supply of domestically recruited labour for the mines. This rose steadily from 96,700 in 1896 to 312,000 by 1930 and 444,000 in 1940.²⁷¹ State supported land resettlement for whites went hand in hand with restrictions on sharecropping and prohibiting African land purchase. Statistics show that from 1910 until 1936 the state spent approximately R225m whereas it spent almost nothing on African agriculture.²⁷²

The state's post war activities included land settlement schemes. The state allowed Boer farmers to claim lands they had previously held and also gave them compensation to reestablish their farming activities. This was seen as a "political necessity" and no conditions were attached to the compensation.²⁷³ However, Boer repatriation was not the main thrust of land settlement policy: the primary concern was to direct the economy more determinedly. Certain historical realities were judged undesirable, meriting state intervention. For example, in some areas the farm holdings were vast as the result of the initial 3,000 to 6,000 morgen land grants or because companies bought up huge areas of land during the period of search for minerals. They had amassed huge tracts of land for prospecting purposes estimated to be about two thirds of the whole of the Transvaal. This company land was minimally farmed because, while farmers were allowed to remain as tenants, they had no security and feared that cultivation might

²⁷⁰ De Kiewiet, 1942, p196,

²⁷¹ These figures only refer to the increases in workers recruited within South Africa and do not include those recruited in neighbouring states.

²⁷² Lipton, M. 1986 p 105.

²⁷³ Goodfellow, D.M. 1931.

be disturbed by prospecting at any time.²⁷⁴ One such land company wrote to the government offering to sell land,

"... We are sellers of land. Our sales at present are chiefly to our own tenants at ruling market prices... There are certain farms which we think would naturally fall into any native reserves which might be contemplated... There are two particular places, one is a farm on Malaboch mountain, Buffeshoek 1072, which is very largely occupied by natives today and which Malaboch has negotiated to acquire... His own kraal is on that farm. It was originally part of his stad.

We have another block in the North, 122,000 acres... a ranching proposition... a suitable block for native purpose.

I sold three months ago, 130,000 acres for £7000, that was a Swazi plantation concession.

We hold mineral concessions over an enormous area two to three million acres."²⁷⁵

On the other hand, there were other areas where relatively poor pastoral land had been excessively divided as the result of Roman Dutch inheritance practice in which a farm is not inherited by the eldest son but divided between all sons.²⁷⁶ Many fractional holdings were also farmed by white "bywoners", who arrived after land had already been distributed.

The government committed itself to revamping white agriculture. This would entail more radical state intervention in some parts of the country than in others. The state bought land and established experimental farms.²⁷⁷ A large budget was also allocated to provide for the purchase of company land which was divided up to create farms of 300 to 400 acres. These farms were allocated to government-approved white settlers to buy on mortgage. The government also financed agricultural colleges on several experimental farms in the Transvaal where new settlers were encouraged to study for two years before taking up a settlement farm. This internship on experimental farms was considered necessary because the employment of whites as labourers was almost unheard of, and this made it difficult for whites to gain practical knowledge through employment.

In 1908 the state provided the capital to establish the Land Bank in an attempt to tackle the problem of thousands of acres of underdeveloped farms. Poor, extensive farming practices were blamed on the lack of capital to invest in land improvements. In particular, finance was provided for

²⁷⁴ *ibid*, p136.

²⁷⁵ Davenport and Hunt, 1974, p30, cite an offer of sale of land to the government by Henderson Transvaal Estates.

²⁷⁶ Goodfellow, D.M. 1931, p57. cites a case of a fourth generation son receiving a hundred and forty seventh of the original farm.

²⁷⁷ *ibid*, p204.

fencing to paddock animals to help control the spread of vermin and to encourage rotational grazing.

Farmers also lobbied the government about conditions of input supply and marketing. They expressed grievances against rural shopkeepers because of unfavourable prices and a lack of bargaining power. They lobbied for government financed central depots. The government, responding favourably, passed the Cooperative Act whereby any group of white farmers who formed a cooperative society was entitled to both technical and financial assistance at special rates. Furthermore after the 1920s-1930s depression white farmers won the right to price support schemes.

But labour was the issue on which farmers lobbied most vehemently, always complaining about the shortage of African labour. A century of varied legislation facilitated labour recruitment by white farmers. In the early period of colonisation a Pass Law forbade Africans to move around the countryside without a letter of permission signed by their last white employer. The state also sanctioned a system of apprenticeship under which African children born on a white-owned farm were bound to stay and work until they were nineteen. White farmers also used the "master and servant" agreements copied from Europe designed to tie an apprentice to an employer during and after a period of training. But in South Africa, this agreement simply became a contract of bondage. These measures were unevenly applied throughout South Africa especially where absentee landownership and sharecropping arrangements still prevailed. In the post World War II period there was a more rigorous implementation of legislation to secure an African labour force totally divested of its land and means of production.

During the first decades of this century the state expanded its interventionist role. The introduction of a Land Bank, a growing demand for extension services, the expansion of the export market led to an enormous increase in the bureaucracy dealing with agriculture. State involvement in post war reconstruction had "the important effect of making South Africa known as a country" in which white settlers coming into the agricultural sector could get "a good start"²⁷⁸ A state-led drive to settle white owner-occupiers, the expulsion of sharecroppers, the division of the huge land areas of the early settlers resulted in a significant growth of farming units from the turn of the century until the 1950s. In 1918 there

²⁷⁸ *ibid.* p213.

were 76,149 white owned farming units, in 1930 there were 96,940 and a peak was reached in 1952 of 119,556 units.²⁷⁹

The National Party government, in the post 1948 period, encouraged centralisation and modernisation in the white farming sector following the recommendations of a major Commission of Enquiry. Facts and figures indicate that centralisation was indeed achieved; the number of farms decreased dramatically together with significant increases in land and labour productivity. I describe the measures put in place by government during the 1960s and 1970s as well as the wider economic context which facilitated these changes. These policies had a major impact on the organisation of production particularly in the grain sector. The last section deals with some of the negative consequences of modernisation as well as deregulation and stratification.

4.2. 1960s: Evaluation of the status quo

The government's preoccupation in the 1950s was to modernise farming and make visible gains in labour and land productivity increases. It wanted to foster only the most efficient farmers. Major review commissions appointed in the mid-sixties studied agriculture in both the reserve areas and the white farms. The Commission of Enquiry into the Occupancy of European Farms criticised small farm size and lack of capital investment as root causes for low productivity and low profits. The Commission's second interim report identified three impediments to farming improvement (i) 'physio-biological, (ii) sociological and (iii) economic, causing 'financial stress' among many farmers.²⁸⁰

The physio-biological causes were: seasonal climatic differences, reluctance of farmers to make planning allowances for weather, erosion and subsequent declining pasture potential, inability to adopt appropriate farming systems, and finally pests and diseases which intermittently attack plants and animals causing production losses.

²⁷⁹ Joubert. J, & J.A.Groenewald, 1974, p5

²⁸⁰ RSA (1970) The Marais-du Plessis Commission, 2nd Report, 1970, p9. italics as in original. It is most commonly referred to as the Marais-du Plessis Commission after the two men who chaired the commission in the first two periods. The financial stress which the government refers to here and subsequently must always be contextualised i.e. that white farmers were unable to live in the style they wanted and, on a book-keeping appraisal, commercial farming incomes were not increasing on par with urban professional incomes.

The sociological causes contributing to financial stress in the farming community included:

- * a horizontal approach towards farm expansion in preference to vertical development potential.
- * inadequate personal qualities (i.e. lack of managerial and organising ability, sound judgement, enterprise, initiative, and the *'ability to spend money judiciously'*),
- * lack of farm records for management and planning, inadequate training of young prospective farmers, over optimism based on exceptional years, slow adaptation to change,
- * few alternative occupations for an outgoing farmer and no state process to assist,
- * *'exaggerated views about democracy'* i.e.. resentment at any state interference to regulate land use,
- * use of inefficient workers together with farmers who *'have forgotten how to work themselves and are therefore unable to give the necessary guidance to their employees'*,
- * *'hankering'* for land regardless of farming competency,
- * and finally *'bequeathment leading to subdivision of land into units that are too small to support a reasonable standard of living.'*

Among the direct economic weaknesses identified were: subdivision into uneconomic units, debt burdens beyond the farmer's liquidity capacity, 'purchase of still more implements in favourable years, instead of payments in redemption of already existing debts, 'extravagant prices paid for land in relation to its true productive value at the particular time, injudicious obtaining and granting of credit, a narrowing gap between the price level received by the farmer for his product and his costs of production and finally the technological development of farmer whose increased investment requirement increased producer vulnerability to *'natural reverses and unfavourable price-relations.'*²⁸¹

Another preoccupation of the Commission was the change in ratio of white to black inhabitants in the white agricultural areas. Since the 1950s increasing numbers of white rural inhabitants migrated to the urban areas. Between 1951 and 1960 there was an 8.5 percent decrease in white rural dwellers compared to a 20.9 increase in the number of Africans resident in the white rural areas.²⁸² The commission described the implication of this

²⁸¹ *ibid.* italics as in original

²⁸² *ibid.* p.19, citing Cilliers, S.P. 1968,

social change as follows,' *If the tide does not turn and the growth of non-White preponderance on the White platteland continues, this state of affairs will in the end hold out a serious threat to white civilisation in this country.*'

In conjunction with recommendations and legislation to ensure a restriction of non-White families on farms the Commission, in its Second Report, considered methods of attracting more young white farmers on to the land.²⁸³ In their view, free market entry into farming required such high levels of capital for land and equipment purchase that it excluded '*promising, interested young men*' who had no capital. This situation became progressively worse due to 'spiralling of land prices'. The commission recommended state acquisition of agricultural land which should be rented on a long term basis and transferable from one generation to the next. The rent payable should be assessed on the basis of the productivity of the land (i.e. net income and yearly cash flow) and not on the basis of a rental rate of return valuation of its free market price.

The commission's reflections on the financial consequences for the government of a divergence between the productive and market value of land were: 'as the land must be bought at the market value and later again made available to prospective farmers at productive value....the state will have to be prepared to devote fairly large amounts of money in such cases.'²⁸⁴ This is one of the proposals currently put forward by the DBSA to advance a concept of affirmative action to favour land acquisition by black entrepreneurs. There are some problems with this proposal which I explore in Chapter 7. But ultimately the report is ambivalent in its attitude towards new white entrants and elsewhere calls for '*judicious*' finance in favour of the existing more profitable farmers.²⁸⁵

In line with periodisation, the Third (Final) Report of the Commission published in 1972 is, however, less ambivalent²⁸⁶ and marks a decisive turning point in S.A. government policy away from unquestioning support for all white farmers, large and small. From now on economic considerations supercede concerns over racial population ratios. Referring to less than average sized units the report states that 'vigorous steps.....to be

²⁸³ *ibid.*, pp 20 -21

²⁸⁴ *ibid.* p 40

²⁸⁵ *ibid.* p 38

²⁸⁶ RSA. 1972. The third Report (Chairperson, Swart) does not even mention, let alone contemplate, mechanisms facilitating the entry of young whites without capital into the sector.

taken to form bigger farm units ²⁸⁷... many families now trying to eke out a living on undersized farms will have to give up their farms and make a living elsewhere²⁸⁸ . . . 'As regards non-White labourers, . . . if . . . in the national interest, the productivity of labour is to be raised, the number of non-White labourers will have to be reduced sharply.'

The report calls for 'vigorous steps' to assist increased production levels and encourage farm enlargement. Fewer farmers would then share the overall farming sector income between them. Individual farmers' business income should then attain greater parity vis a vis non agricultural investments.

Section 4.3. 1970s: Centralisation achieved.

In the thirty five years between 1950 and 1985 the number of farms fell dramatically from the 1950s peak of 116,848 farming units to 58,500 units by the mid -1980s. State-led policy to secure the restructuring of white commercial farming through the demise of the smaller scale, less profitable, white farmers was as effective as earlier state policy to ensure the demise of the African peasantry.

4.3.(i) Measuring centralisation

Centralisation can be initially identified through an examination of three basic and interrelated measurements: farm units, land area and average farm size. These are the number of white farm units (N), the total cultivated land area (A) and the average farm size ($S = A/N$). If the number of farms decreases within a fixed farming area resulting in a higher average farm size centralisation may be said to have occurred.²⁸⁹ Only if the number of farm units declines more rapidly than the land area, (and

²⁸⁷ Each Government assessment remains consistently and unashamedly racist in every one of its periodic reports on white farming. The discussion on 'uneconomic units' is never contextually compared with the economic situation of black farmers who, in the "bantustans" farm on average less than two hectares per family.'

²⁸⁸ Financial Times, 29/9/67 reported, 'Real per capita farm incomes are declining at an annual compound rate of 0.67 per cent: the average White farmer has an investment exceeding £25 000 on which he earns less than £2 000 a year.'

²⁸⁹ The interrelationship is important otherwise a mistaken conclusion may be reached. For example it is possible for the number of units to decline along with the cultivated land area if a number of farms go out of business and their land is not taken over by remaining farmers. In this situation average farm size would not increase. The sisal industry in Tanzania provides one such typical case of a sector in secular decline. Alternatively the total land area may increase while the number of farm units remains constant as would happen in the case of a given number of farmers confronting an open land frontier.

hence the average farm size increases) can the presence of centralisation be affirmed.²⁹⁰ The appropriate measure is therefore: $S = A/N$. An examination of the relative movement of the number of units (N) vis-a-vis the land area (A) is always required.

This data are presented in Table 4.1. 'Farm Units and Land Utilisation'. Figure 4.1. deals with the number of farm units. The number of units is generally accepted as synonymous with the number of farm operators.²⁹¹ The number of units increased annually during the 1930's reaching a peak in 1950. The next thirty years are marked by an unhindered decline in the number of units. The decline is abruptly checked in 1983; it signals a new era in agricultural production economics which is to be discussed later.

Table 4.1. 'Farm Units and Land Utilisation'

Year	No of Farm Units	Land in Use	Land cultivated	Av farm size
1937	104554	85578	6066	818
1946	112453	88641	7394	788
1950	116848	86921	7662	744
1955	111586	87472	8168	784
1960	105859	91790	9563	867
1964	101387	91364		901
1965	95438	87795	10028	920
1967	92853	86368		930
1968	92908	87921		946
1969	91885	89135	11441	970
1971	90422	89298	11621	987
1972	86092	87815		1020
1973	81935	87916		1072
1974	79855	87155		1078
1975	77591	85505		1102
1976	75562	85719	10212	1134
1978	71621	85447		1193
1979	69360			
1980	69372			
1981	64430	86267	8675	1339
1983	59960	86027		1438
1985	65880	86150		1308
1986	64810	86877		1340
1987	65170	85795		1316

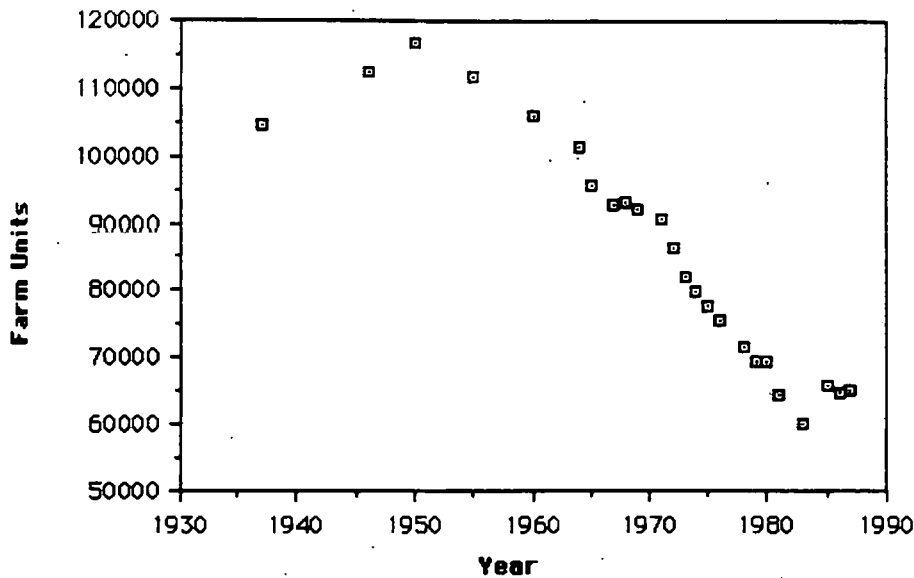
Source: Abstract of Agricultural Statistics, 1992, RSA, Table 6, p6.

Figure 4.1. Number of Farms by Year

²⁹⁰ Leaving aside the possibility of a combination, for example, a secular decline in one part of the country together with an expanding cultivation with an open land frontier in another part.

²⁹¹ Some farmers own three units, another three persons own one unit; units therefore should confidently be interpreted as operators.

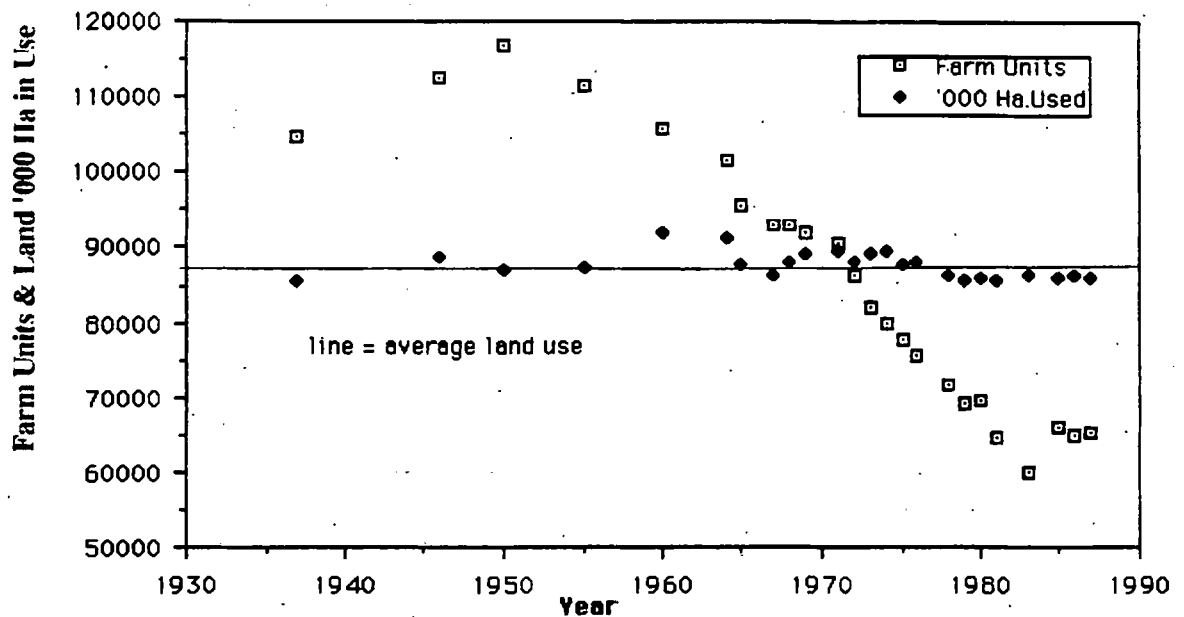
Figure 4.1. Number of Farms by Year



Source: Table 4.1. Farm units and land utilisation.

Figure 4.2 compares the number of farm units and the land in use year by year. The scatter of land use has two outstanding features. Firstly, the scatter is virtually horizontal over the whole period (attention is demanded by its level rather than any growth rate) and, secondly, it shows remarkably little variation. Figure 4.2 depicts the average level along with the scatter. The mean total average of the land in use is 87 242 thousand hectares. The standard deviation of the spread is 2021 thousand hectares. The coefficient of variation i.e. the percentage (standard deviation/mean) equals 2.3%.

In summary the land frontier for white commercial farmers appears fully closed. White farming hegemony had been thoroughly accomplished over a fixed and greater part of agricultural land. This is shown in the constancy of land in use (depicted by an average land use characterised by constancy) and very little spread. The largest of these relatively minor increases appeared between the mid-fifties and mid-sixties following the peak in the number of farming units and may be interpreted as a response by farmers to try to maintain farm-size in spite of the increasing number of farm units.

Figure 4.2. Farm units and land use by year

Source: Table 4.1. 'Farm Units and Land Utilisation

The closure of the land frontier to white settler farmers is usually dated as having taken place in the 1930's.²⁹² Such data incidentally obscures an ongoing sub process, i.e. the displacement of black labour tenants and sharecroppers by white landowners. Statistical data on land use in white areas always classified it as 'white farming' whereas many white farmers still 'farmed' through using black labour tenants and sharecroppers. But whether whites farmed land through hired labour, sharecroppers or labour tenants the fact of their having reached a definitive formal area of land occupation remains. The pressure to get bantustan land for commercial (white) farming use is a further confirmation of the land frontier limitation and the tension around access to good farming land. Such access is achieved through development of corporation farming in the bantustans on trust land or through white farmers operating under the name of a black resident.²⁹³

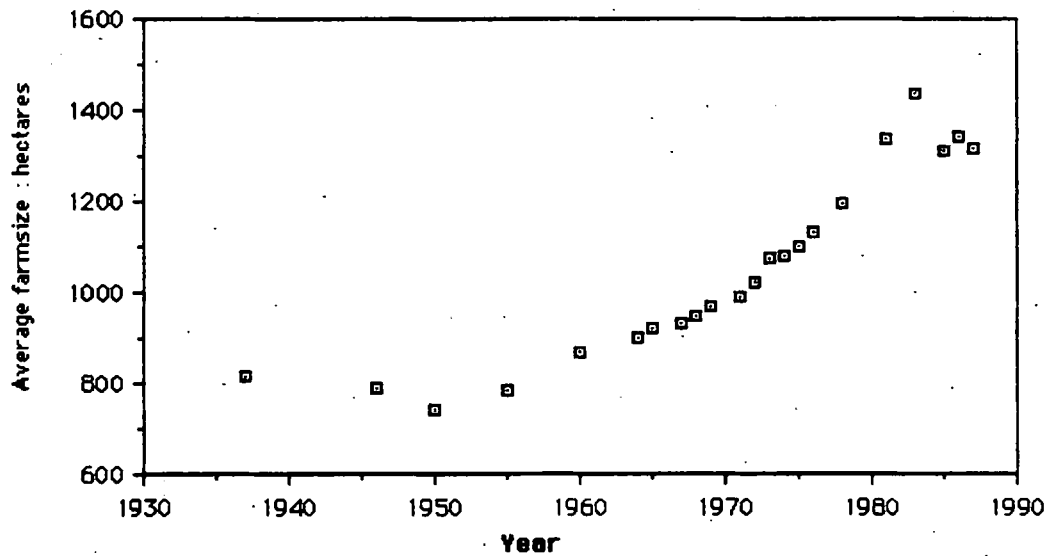
Figure 4.3 shows 'Average Farm-size by year' and notably the lowest average is found in the early 1950s when the number of units is at its highest. Moreover in Figure 4, S, the average farm size is indeed the mirror

²⁹² R.S.A. Government 1971, p 13, 'The occupation of undeveloped areas in South Africa by pioneer farmers was actually only completed in about the third decade of this century, when just about all land available for occupation had been taken up.'

²⁹³ The implication of the constancy of A (with little variation) is that S is inversely related with N. Therefore $S=A/N$ becomes $S = \text{constant}/N$. The growth rate in S will be approximately the opposite of the growth rate in N that is roughly equal in size, but with opposite signs.

image of N in Figure 1 due to the constancy of A. Average farm-size went through three distinct periods (a) from 1930 to the early 1960s, (b) From 1964 to the early 1980s and (c) 1984 onwards.

Figure 4.3. Average farmsize by year



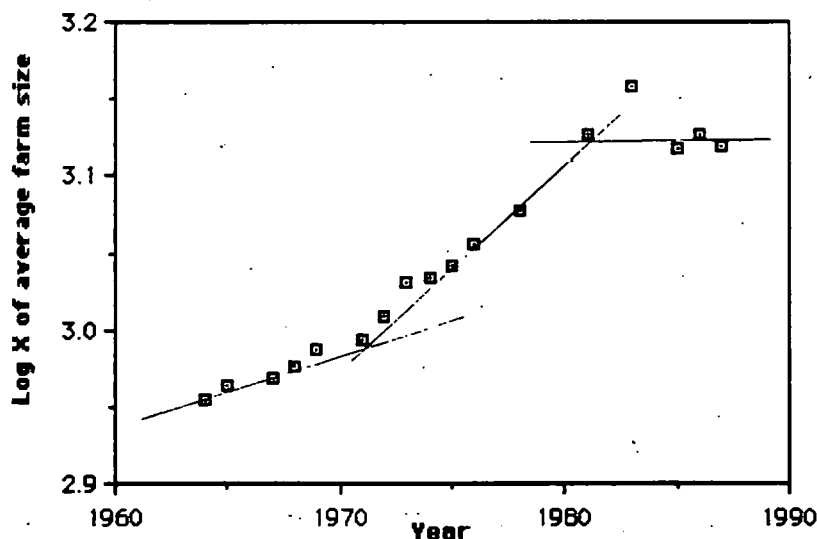
Source. Table 4.1. Farm units and land utilisation.

From 1930 to the early 1960s average farm size reflects a state of stagnancy rather than dynamic change. The growth curve is basically level with a dip which coincides with the highest number of farm units and then curves mildly upwards. The mean level for the 30 years from 1930-1960 (six observations) equalled 809 hectares.

From 1964 to 1981 there was a sustained and more rapid growth of average farm size. During this period average farm-size increased 59%; the average compounded growth rate for this period was 2.5%.

But there are also changes of pace of growth within this period. The seven year period 1964-1971 experienced a 10 per cent change in farm-size with an annual average growth rate of 1.32 per cent. In the next seven year period 1971-1978 the change in farm-size was 21 percent with a 2.7 per cent growth rate. This change in rate of growth is shown in Figure 4.4 in which the geometric data series is converted to logarithms. The most rapid increase takes place in the middle period 1971-1983 after which there is a marked stagnation.

Figure 4.4. Average Farmsize (log x) 1964 - 1987



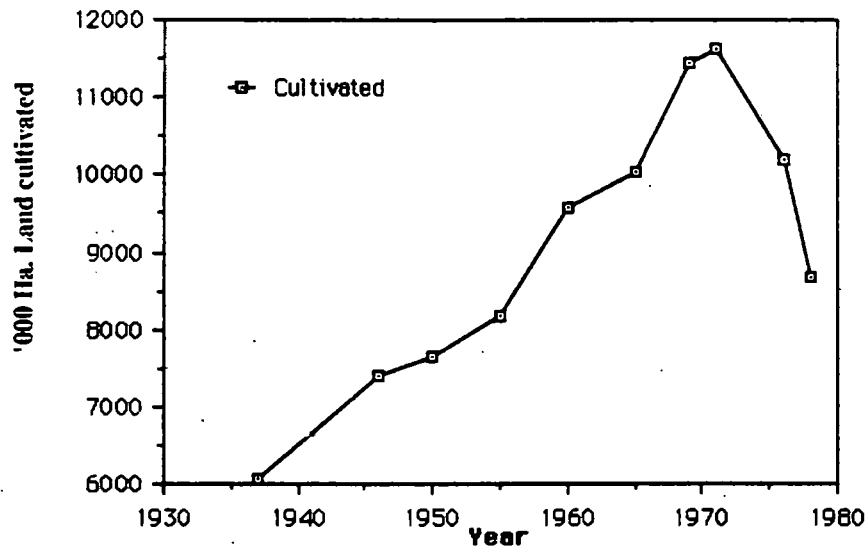
Source: Computed data from Table 4.1.

4.3. (ii) Land in use and land cultivated

Land-in-use refers both to land under pasture and land ploughed up for crops. Land cultivated refers only to the latter. (see Figure 4.5). Between the late 1930's and the end of the 1960s the amount of land cultivated actually doubled before falling significantly in the 1970s. Two factors may have contributed to the earlier continuous increase in land cultivation. Firstly at a time of increasing farm units, farmers may have chosen to farm their land more intensively in response to the closed land barrier. This was done by ploughing up land previously left to pasture. The second and related factor which assisted the expansion of cultivated land is the

replacement of ox ploughing with tractors²⁹⁴ which increased the ploughing capacity.²⁹⁵

Figure 4.5. Land cultivated by year



Source: Table 4.1. 'Farm Units and Land Utilisation.'

The Second Report of the Commission of Enquiry into Agriculture²⁹⁶ notes that price increases for farm produce during the Second World War meant that 'large temporary profits could readily be made (and that) 'in the spirit of over-optimism as regards the production potential of particular areas, many farmers established themselves on units which later proved to be too small to offer them a reasonable standard of living' and . . . 'a good deal of land unfortunately came under cultivation which, because of its nature and climatic conditions should never have been brought under the plough.....light soils have been exposed to serious wind erosion as a result of cultivation'

The sharp fall of land area cultivated in the 1970s will be shown to coincide with the rapid adoption of technology which increased land productivity and moreover had better returns on better quality soils and thus discouraged the use of more marginal lands. This period of adoption of

²⁹⁴ South African Financial Gazette, October 11, 1974. and second report of Swart Commission 1970: In 1937 there were only 6019 tractors in the whole country. By 1967 there were 170 000 and by 1974 there were almost 250 000 , nearly two tractors to every farm.

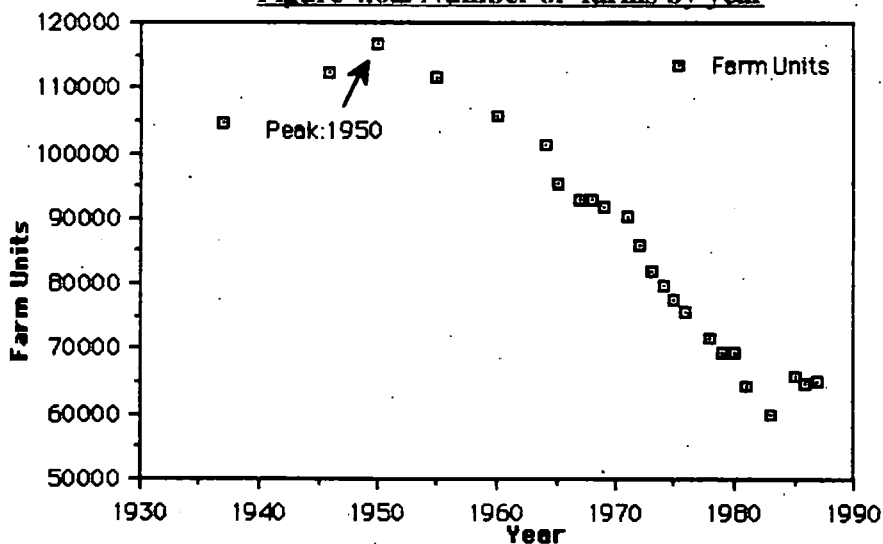
²⁹⁵ Africa, R. 1976 p.2. Table 2 citing AGREKON Vol.9 No.2 April 1970. and p.6.

²⁹⁶ RSA, 1970, pp. 5-6.

biotechnology coincides with government policy changes. The marginal farming areas of the Karoo were taken out of production and the conditions for animal production became more favourable.

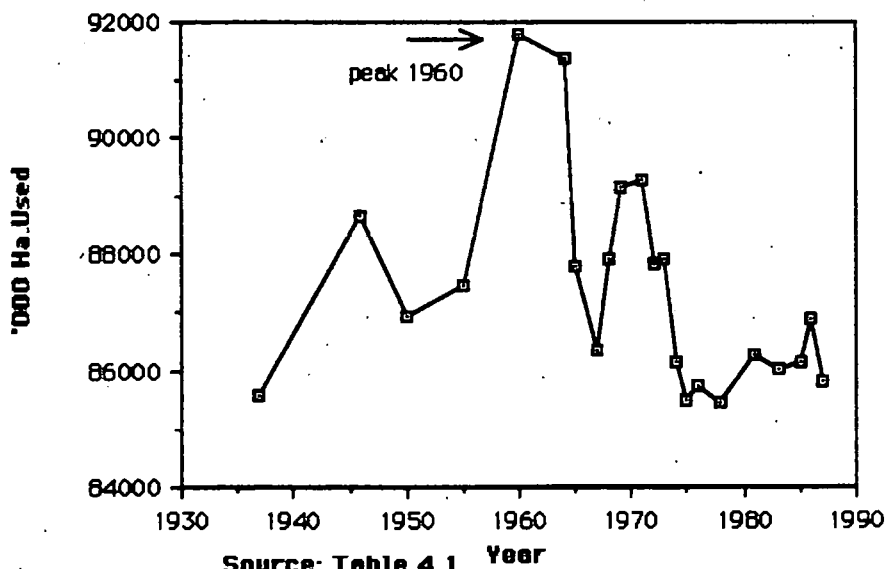
The changes in (a) farm units, (b) total area farmed and (c) cultivated area are compared graphically in figures 4.6a, 4.6b, and 4.6c. The peak figure for each column is identified (in bold print) in Table 4.1. The peaks occur in different time periods and are suggestive of the following periodisation.

Figure 4.6a. Number of farms by year

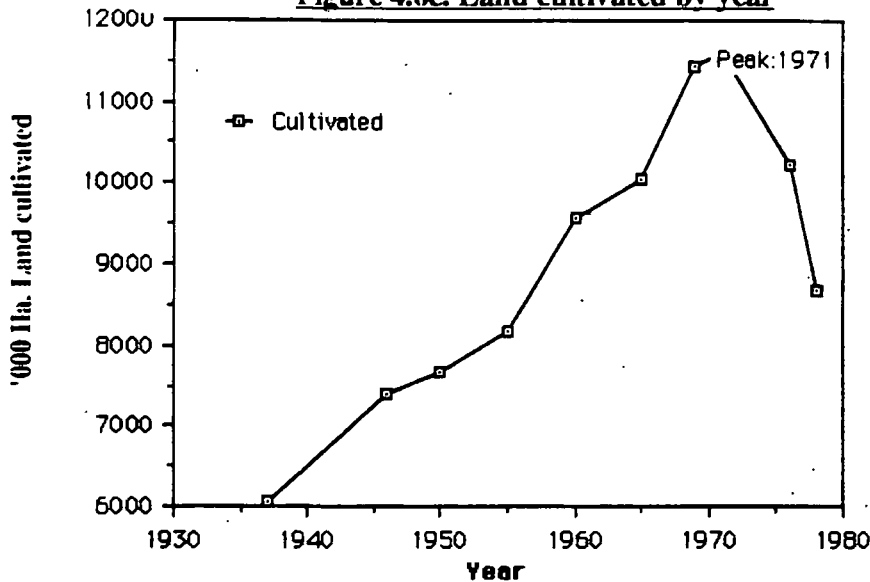


Source: Table 4.1. Farm units and land utilisation.

Figure 4.6b. 'Land in use.'



Source: Table 4.1. Year

Figure 4.6c. Land cultivated by year

Source: Table 4.1. 'Farm Units and Land Utilisation.'

There was a mild expansionary period from the 1930s to the 1950s in terms of farm units and the land frontier was subsequently extended to its peak as farmers pushed the extensive margin in an effort to maintain average farm size. The pressure on land required increased output to be achieved through enlarging the area of cultivated land. This pattern of increase in cultivated land is broken sharply at the beginning of the 1970s.

Table 4.2 provides additional information indicating that the process of farm enlargement involved smaller units being absorbed into larger ones. In 1950, 34,704 units under 100 morgen farmed 913,000 morgen. By 1978 there were only 15,024 units in a roughly equivalent category, farming under 50 hectares occupying 28,000 hectares. An examination of the Transfer of Rural Immovable Property allows for a year by year examination. For example in the farming year ending "March 1983, some 9,414 farms, covering 3.5 million ha. were sold. Of these, 56.2 per cent were less than 100 ha in size, and 72.8 per cent were smaller than 300 ha. whereas only 8.7 percent of the farms sold were 1 000 ha. or more.'²⁹⁷

At the other end of the size spectrum the 818 units with more than 10,000 morgen in 1950 increased by 1,209 by 1962 and reached 3,607 by 1978. The ownership pattern was increasingly skewed. By 1978 the largest 20,000 farm units occupied more than 70 million of the 85 million hectares of land then in farming use. In other words 27 per cent of farms of more than 1,000 hectares occupied 83 per cent of the farm land. Most of the farms are

²⁹⁷ Marcus, T, 1986, p5.

owner-occupied although companies have begun to diversify their investment to include farming and increased their land holding units from 2 percent to 9.8 percent between 1975 and 1985.²⁹⁸ The amount of land for rental is low at 17 percent when compared to U.K. 50 percent and Belgium 70 percent; in the post war period up to the present it has never been more than 20 percent.²⁹⁹

Table 4.2. 'Number and Area of Farms According to Size Groups'

Year	1950	1950	1962	1962		1978	1978
Size group	Units	Area	Units	Area	Size group	Units	Area
(morgen)		'000m		'000m	hectares		'000 Ha.
5 and less	9 815		5 594		less than 2	316	< 1
6 - 20	10 984		12 588		2 - 9.9	5 296	28
21 - 100	13 905	913	15 265	860	10 - 49.9	9 412	238
					50 - 99.9	5 132	371
					100 - 199	6 211	906
101 - 500	37 508	10 554	30 251	9 257	200 - 299	4 986	1 217
501 - 1 000	20 448	14 918	16 918	11 845	300 - 499	7 949	3 099
					500 - 999	11 841	8 461
1 001 - 2 000	12 853	18 266	12 159	16 688			
2 001 - 3 000	4 440	11 061	8 826	26 670	1 000-1 999	9 340	13 098
3 001 - 5 000	3 622	14 410					
001 - 10 000	2 454	16 846	3 140	21 280	2 000-4 999	7 531	23 253
> 10 000	818	14 106	1 209	20 016	5 000-9 999	2 584	17 757
					> 10 000	1 023	17 019
TOTAL	116 847	101 480	05 615	106 615		71 621	85 447

Source: RSA. Agricultural Census Data: various years

In terms of the centralisation process (accepting average farm size as a summary indicator) the data and further analysis indicate:

* the 1960s were a period of a clear break with past trends. The predominant stagnation (with a mild cyclical movement around a stationary trend) suddenly changed towards sustained growth.

* the mid-1960s to late 1970s displayed a fairly regular growth with an annual average increase of 2.3%. This resulted in a growth of average farm size by 25.5 per cent over a ten year period.

²⁹⁸ Cooper, D.(1986) p4 Ownership by sector of agricultural land: Individuals and partners, 90.7 percent; Private Companies 9.8 percent, Public companies 0.45 percent, Municipalities, 1 percent, Government enterprise 0.8 percent; other 0.25 percent.

²⁹⁹ Hattingh, H.S. & Herzberg, A. 1980, pp 2-3.

* 1984 marked a watershed in the agricultural economy in which farm enlargement was no longer a dominant feature. Commenting on the enforcement of the Subdivision of Agricultural Land Act, 1970, the 1989 report of the Department of Agricultural Economics and Markets notes the increase in applications for subdivision and that increases of this kind '*can usually be expected only in times of recession*'.³⁰⁰ However business corporations continue their entry into the farming sector. It would appear that the mid-1980s herald a period of increasing differentiation in commercial farming. Economic centralisation of resources continues to dominate economically in co-existence with low income farmers. The opening up of white commercial agriculture to blacks would probably reinforce this tendency.

4.4. Modernisation and State Intervention

The centralisation process took place in a period of adoption of new technology, both mechanical and chemical, labour saving technology (tractors, threshing machines, herbicides) as well as yield increasing technology (new seeds, fertilisers, pesticides) Table 4.3 indicates the productivity index of labour on the basis of agricultural output divided by the employment data³⁰¹ converted into an index. This is compared with average farm size for those years for which all data is available.

Figure 4.7 depicts this relationship. It shows a fairly strong association between both variables. It can be concluded that over this period the increase in average farm-size went hand in hand with increased productivity of labour. This is possibly as a result of the introduction of new means of production. The strength of this association can be measured by regression analysis.³⁰² My estimates which indicate an increase in farm-

³⁰⁰ R.S.A. 1990.p 40.

³⁰¹ See Hendrie, 1976, p4, and Simkins C, 1978, on the lack of time series data and resultant inaccuracy of employment statistics. They are at least indicative of trends in spite of changing categories and changing method of collecting data. For example, before 1968 only permanent workers were counted, then data on both permanent and casual are put together. The South African Police carried out a farm census up to 1979. Since then information is processed from mail-in questionnaires.

³⁰² The simple linear regression is:

$$P = -83.1 + 168.2 S$$

where P is the productivity index,

The percentage of variance in P associated with variance in S is given by the coefficient of determination as nearly 80 per cent.

$$r = 0.89$$

$$r^2 = 0.79$$

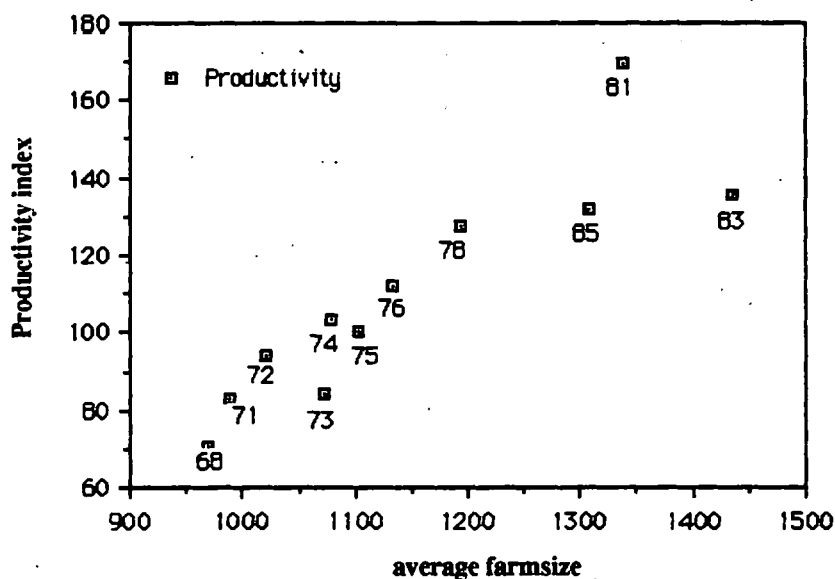
Estimating a double log linear function yields:

size by 10% was associated with an 18% increase in productivity. However the decline in absolute employment levels which went hand in hand with increased labour productivity is again checked in 1984. Employment actually increases again. The new economic conditions which pressured this change are explored later.

Table 4.3. Productivity and Farm Size.

1	2	3	4	5	6=3*100/4
Year	Av Farm size	Vol Ag Prod index	Employment '000	Employment index	Labour Prod index
	ha	index			
1968	970	81	1640	114.4	70.8
1971	988	95	1639	114.3	83.1
1972	1020	99	1506	105.0	94.3
1973	1073	86	1468	102.4	84.0
1974	1079	105	1454	101.4	103.6
1975	1102	100	1434	100.0	100.0
1976	1134	100	1280	89.3	112.0
1978	1193	115	1293	90.2	127.5
1981	1339	130	1146	79.9	169.7
1983	1435	107	1132	78.9	135.6
1985	1308	122	1324	92.4	132.0

Source. Abstract of Agricultural Statistics. 1987, RSA. p4, p6 and p88



Source: Graph data from Table 4.3. 'Productivity and Farm-size.'

$$\ln P = 4.4 + 1.81 \ln S$$

$$r = 0.907$$

$$r^2 = 0.822$$

and, 1.81 = elasticity

Agricultural output increased 40 percent between 1960 and 1970 (see Table 4.4) and the overall increase between 1960 -1990 was 91.9 percent. Increased production capacity has largely been able to respond to increased demand for carbohydrates resulting from rising population as well as increasing demand for proteins resulting from increases in real wage levels during this period. A minor quantity of agricultural produce was imported particularly rice, rubber, tea and cotton and to a lesser extent milk powder, cheese, meat, wheat and butter.³⁰³ A comparison of average farm size with the index of volume of agricultural production shows a fairly strong association between the variables. These associations suggest that the process of centralisation went together with labour saving technologies and also involved yield increasing technologies.

These production increases were achieved while enormous changes took place in the structure and organisation of agriculture. A closed land frontier meant sustained agricultural growth could only be achieved through increased yields. From the government's point of view, increased farm-size was both a condition for modernisation and a strategy for fewer farmers with a higher farm income and the government devised policy measures to achieve this end.

4.4.(i) Credit Policy.

Government support measures already involved access to credit for certain infrastructural investments, tax relief for individual farmers for selected investments, subsidies on specific farm inputs. However, the 1971 Commission concluded that past subsidy policy had some negative results. Subsidies provided 20 per cent of average farm income³⁰⁴ and were seen to be holding back the productivity of agriculture by keeping inefficient farmers on the land. Future support policies favoured the more profitable farmers and there was a campaign against 'injudicious' financing of farmers on 'uneconomic' units. The support for the more profitable farmers involved (a) a credit policy which would make sure that the largest producers gained most benefits from cheap credit³⁰⁵ (b) The subsidy

³⁰³ EROSA, 1988, No.7. p10.

³⁰⁴ Cooper, 1987a , p 10.

³⁰⁵ RSA, 1971, p 85, Section 4.6.2.2.3. 'More generous credit concessions to bigger farmers' Cheap credit previously more easily able to the poorer sections of the farming community was to be extended to the better off sections.' It appears indefensible that those farmers who contribute most ...should be denied the opportunity to avail themselves of certain benefits in agricultural financing...The

policies available per unit of produce would benefit farmers on good land with higher productivity more than those with below average productivity: (c) profits reinvested in machinery and farm equipment would not be taxed. This policy is only beneficial to profit making enterprises and most beneficial to those making most profit.

Table 4.4. 'Volume of Agricultural Production 1955-1985

Year	1955	1960	1970	1980	1985
Index of Volume of agricultural production					
1975=100	52	62	88	119	119
Crop Production '000 tons major products					
Maize	3784	5275	8600	14656	8077
Wheat*	788	769	1396	1472	1680
Grain Sorghum	164	335	551	546	600
Groundnuts	152	180	268	237	92
Sunflower seed	64	113	138	521	263
Soya beans	n.a.	n.a.	29	276	34
Oats	90	117	121	65	23
Barley	26	25	30	60	256
Dry beans	50	54	62	89	88
Peas, lentils	14	158	144	176	8
Sugarcane*	n.a.	n.a.	11804	13249	16633
Chicory	81	127	215	157	12
Cotton	19	156	393	1448	1131
Wattlebark	218	178	130	114	63
Lucerne Hay	n.a.	846	1264	3176	8733
Teff and other Hay	1624	2609	3960	7050	6550
Tobacco	201	262	324	278	322
Horticulture n.a.					
Animal Products '000 tons					
Beef & Veal	3869	4132	4427	5288	5880
Pig Meat	536	566	838	903	1140
Sheep & goat meat	39	1419	2329	1800	1900
Wool	1324	1355	1240	1045	981
Chicken	290	420	1210	3640	5070
Butter	370	481	449	172	182
Cheese	122	172	185	323	339
Condensed Milk	278	312	422	414	240
Milk Powder	40	62	190	309	360

Source: Abstract of Agricultural Statistics, RSA, 1987,p88, 1990,p8

Government also used conservation concerns as part of its rationale to eliminate 'sub-economic' units although there is no evidence to support

Commission feels more capital should be available to assist the production enterprises of the bigger and better farmers.

the view that larger farms have a better land practice. This notion of the relationship between farm size and soil erosion³⁰⁶ together with an assessment that one third of farms were 'uneconomic' had already led to 'The Agricultural Credit and Land Tenure Act of 1966. This provided for financial aid towards rehabilitation and resettlement. It provided, via the Agricultural Credit Board, credit at low rates of interest, for emergency assistance to farmers hit by drought and floods and for conservation works.³⁰⁷ Future credit from the Board was primarily for land purchase to enable existing farmers to buy out small farms to promote farm enlargement.

Besides farm enlargement and intensification of production the government selected (i) further economic measures (some already in place and some new) to facilitate the desired changes. Some directly improved the terms of trade thus improving profitability conditions. Other contextual conditions influenced the centralisation and productivity process: the demand for non-agricultural labour and higher wages offered in the non-agricultural sectors as well as the availability of, and government assistance to introduce, labour saving technology

4.4.(ii) Government subsidies and the terms of trade.

The state provided indirect technical assistance subsidies over a long period. Plant and animal improvement, selection of seed, land utilisation, cultivation and fertiliser practices are the core of this programme.³⁰⁸ This type of assistance to farmers was complemented by several direct subsidy schemes; by 1970 the state spent R108 million per year on direct subsidies. The greater part, an average 69,7 per cent, was spent on reducing the costs of factors of production. Conservation works and improvement of land utilisation accounted for 15 per cent., assistance to industries 8 per cent, and 8 per cent relief aid for flood and drought relief.

³⁰⁶ 400 million tons of top soil and £250 million worth of plant nutrients were estimated as being washed into the sea each year. Financial Times. South Africa, 25/9/67. More recent studies (Scotney & P.J. PcPhee 1990 mimeograph) indicate that 40% to 70% of the cultivated land in the commercial sector is seriously eroded by wind and water..

³⁰⁷ For example out of a national budget of 252 million Rand in 1968 as much as 10 million Rand was made available to the Land Bank and a further 3 million Rand for farmers' assistance was allocated to the government sector dealing with Agricultural Economics and Marketing.

³⁰⁸ RSA Government, 1970, p 6

The subsidy of means of production was made up of various components: (i) fertiliser subsidy, fuel subsidy and rail rebates, (ii) interest subsidies, (iii) customs and excise concessions (iv) tax concessions.

(i) The rationale of the fertiliser subsidy was 'to encourage the use of fertilisers by farmers' to increase land productivity. The Commission concluded that the desired use of fertiliser had not yet been reached. They recommended that subsidies both for the purchase and railway transport of fertiliser should continue.³⁰⁹ Subsidies on fertiliser and fuel were later extended to include pesticides, the payment of repairs to tractors, spare parts and electricity supplies.³¹⁰

(ii) Interest subsidies were paid out by the government to the Land Bank and the Department of Agricultural Credit and Land Tenure. Money paid to the Land Bank was in respect of cases in which the Bank borrowed money from the government at a rate of interest which was above its own ruling rate. This subsidy gave farm borrowers access to loans at lower than market interest rates. The subsidy initially included mortgages for land purchase and also as security for operating capital. The Agricultural Credit Act stipulated a fixed interest rate on all loans to farmers of 5 per cent. Funds allocated to the Department of Agriculture and Marketing (R 1032 million in 1970) covered the difference between the interest rate at which the Land Bank obtained funds and that offered to farmers.

In the August 1970 budget, after the Commission presented its conclusions, the state liquidated the general subsidies on loans. Only certain farmers were to qualify for a subsidy interest on their mortgages of up to one and a half percent of any mortgage with an interest rate above seven and a half percent. Beneficiaries were to be full time farmers whose main income was from farming. Later it was stipulated that only land purchase should qualify for mortgage relief and not borrowing undertaken for operating expenditure.

(iii) Customs and excise concessions included (i) goods imported free of customs duty and (ii) goods on which duty was paid but if used for a certain purpose a rebate was available. The first category mainly included tractor imports. The second category covered diesel oil and paraffin. The Commission recommended that the duty free equipment imports and fuel

³⁰⁹ There were different subsidies available on specific fertilisers, R24 on pure nitrogen, R64 on citric acid soluble phosphate, R6 on Potassium and so on.

³¹⁰ Marcus. T, 1986.

rebates should be kept in place especially on consideration of increasing producer cost compared to producer prices and the importance of fuel in the farmers' cost structure.

All of the above subsidies were beneficial to farmers because they directly affected farming expenditure. Other subsidies on the producer price enabled farmers to earn more for the product than if there were an open market. Maize, bread, butter and grain sorghum made up a government sponsored 'price-stabilisation' package.³¹¹

(iv) The tax rules were specially favourable to farmers making large profits. Duty free import and fuel rebates already made the use of machinery economically more attractive but for farmers making profits there was an additional powerful incentive to purchase machinery and equipment. A law provided that any profits spent on tractors, equipment and agricultural implements would not be taxable eg. if a farmer made a profit of R20 000 but spent R13 000 on machines the taxable income for that year would be R7 000. This special concession was to end only as a result of the Margo Commission recommendations in 1988 and will be discussed later.

Terms of trade for farmers had declined for the entire decade of the 1950s³¹² and contributed to lower profitability in agriculture. The revised government assistance package reversed the previous trend. It had made the terms of trade towards the end of the 1960s and early 1970s more favourable than they would have been otherwise. The cost reducing assistance kept down the index of farm requisites. The price stabilisation assistance boosted the index of producer prices. (See Table 8, 'Terms of Trade: Index of Producer Prices/Index of farm requisites') There was an upswing in terms of trade for farmers from an index low point of 85.7 in 1961 to an all time high of 117.5 in 1973. The favourable terms of trade led to real increases in farm incomes. This provided additional impetus to the trend to buy more machinery and land especially when backed up by the supportive measures encouraging investment in labour saving machines and use of yield increasing technology.

³¹¹ RSA Government, 1971.

³¹² RSA Government, 1971, p 14, Figure 2.2. "The ratio of the price range of agricultural products to the composite price range of cost items (price parity index) from 1947/48 to 1968/69."

Table 4.5. Comparative Indices: Terms of Trade, Produce Prices/Farming Requisites, Consumer Price Index & the Volume of Agricultural Production

	Index (1)	Index (2)	Terms of	Volume of	Consumer
	Farming	Farm Produce	trade	agricultural	Price Index
Year	Requisites	Prices	2/1*100	production	C.P.I.
	1975=100	1975=100		1975=100	1975=100
1959	47.2			58	48.00
1960	47.3	40.9	86.5	62	48.60
1961	47.6	40.8	85.7	67	49.60
1962	48.4	41.7	86.1	69	50.30
1963	50.0	43.5	87.0	66	50.90
1964	49.6	45.6	91.9	70	52.20
1965	50.5	47.3	93.7	71	54.10
1966	51.4	48.6	94.6	89	56.00
1967	51.8	50.0	96.5	79	57.90
1968	52.2	49.8	95.4	82	58.90
1969	53.1	50.7	95.5	86	60.60
1970	54.6	52.0	95.2	88	63.80
1971	57.6	56.7	98.8	99	67.70
1972	62.8	70.0	111.5	94	72.10
1973	70.7	83.1	117.5	97	78.90
1974	83.5	91.4	109.5	102	88.10
1975	100.0	100.0	100.0	100	100.00
1976	115.2	109.3	94.9	106	111.10
1977	130.7	117.7	90.1	113	123.70
1978	150.0	132.8	88.5	113	137.20
1979	178.4	157.8	88.5	118	155.30
1980	207.1	181.7	87.7	119	176.70
1981	234.9	203.8	86.8	129	203.50
1982	271.0	230.0	84.9	117	233.50
1983	300.5	257.7	85.8	108	262.20
1984	334.9	284.1	84.9	118	292.80
1985	402.8	311.9	77.4	118	340.30
1986	468.5	354.6	75.7	116	403.70
1987	516.1	417.9	81.0	117	468.70
1988	587.0	463.8	79.0	128	528.80
1989	n.a.	489.4	n.a.	125	605.90
1990	767.6	533.0	69.4	120	692.90

Source: Abstract of Agricultural Statistics, (AAS) 1987, 1990 & 1992. The 1990 Abstract uses 1975 as a base year, index 100 but shows figures indicating the year's start (ie 92.7 for requisites) The 1992 Abstract uses 1985 as the base year of 100 for indices of farm prices and 1975 as the base year of 100 for indices of requisites. I have recalculated the figures from Table 90 & 92 of AAS 1987&1990 and Table 89 of AAS 1992, to make them comparable, maintaining 1975 =100. Volume of agricultural production, data from Table 82, AAS, 1987 &1992, Consumer Price Index from Table 90, AAS 1987 and Table 89, AAS, 1992.

4.4.(iii) Competing demand for black labour

The 1960s expansion in the domestic manufacturing industry increased the demand for black labour. Black manufacturing workers increased by 4 per cent per annum. More significantly, at least for Western Transvaal farmers, Bophutatswana increased its demand for mine labour five-fold between 1970 and 1976. This was the result of a changing labour recruitment policy in relation to neighbouring states. Malawi withdrew its mine workers after controversy over a transport accident involving Malawian workers on their way to the mines. South African sanctions against Mozambique cut the quota of workers to be recruited from there. Mine owners had to make up for shortfalls in the normal supplies of foreign workers through domestic recruitment from the 'bantustans'

When wages available to black workers according to their employment sector are compared, farmers' 'complaints' that they had a shortage of (reliable) labour, especially in some regions, is probably no exaggeration. Western Transvaal wages are well below wage rates in other sectors (except domestic employment) even though there was an increase in real wages for those permanent agricultural workers who still had jobs.³¹³

The increase in availability of higher-paid non-agricultural jobs in manufacturing, mining and construction attracted men away from the white farms. A wave of workers' strikes in Durban in 1973 added to concerns about "labour being difficult to control". Farmers took the option of mechanising and reducing their labour needs rather than competing with the labour market. de Klerk estimates that until the mid-seventies most (black) men in Western Transvaal 'who could no longer find employment in agriculture, or who no longer wanted it, were able to find work elsewhere.'³¹⁴ But after this period the increase in non-agricultural jobs no longer outweighed the retrenchment rate in agriculture, thus further mechanisation added to absolute increases in the economy's unemployment levels.

³¹³ De Klerk, M 1984. This thesis examines in some detail the different wage rates. According to one labour recruiter Western Transvaal wages are below agricultural wage averages in other parts of South Africa; a seasonal worker earned only about R1, 50c per day in 1981 compared to R3,50c per day in Western Cape.

³¹⁴ de Klerk, M, 1984, p 248.

Since 1984 there appears to be a reverse in trends. The fall in the value of the rand has affected the terms of trade of imported machinery. Capital costs are therefore increasing more rapidly than the cost of labour. However the organisation of production and use of new seeds, herbicides etc. altered so substantially since the late 1960s that it is difficult to envisage any major re-employment of labour without a new substantial reorganisation of production; this is likely to involve a different land and livestock usage.

4.4.(iv) Availability of cost effective, labour saving technology

The government facilitated the spread of silo technology through making loans available to agricultural cooperatives at subsidised interest rates. In 1963, an analysis carried out by research officers of the Mealie Industry Control Board concluded that, 'a switch to bulk handling would undoubtedly result in considerable savings for the maize industry'. Silo construction began to take place at selected sites, mostly besides railway lines.³¹⁵ The diffusion of silo technology took place rapidly. In the Western Transvaal, for example, silo capacity in the region increased by 340 per cent between 1968 and 1981.³¹⁶

Once silos were built, bulk handling and delivery eliminated one of the needs for large labour teams. Bulk handling gets rid of the need to fill heavy sacks while harvesting. If a bulk delivery system is complemented by harvesting with combines there is no need to recruit large male labour teams. Farmers began to buy the combine harvesters which had already been on the market in South Africa for several years.

Two types of combines were readily available. Power Take Off combines (PTOs) were pulled by tractors powered by the propeller shaft of the tractor itself. De Klerk describes them as 'simple, robust, reliable, well suited to smaller farming units' and at R6,000 relatively inexpensive. The SP combines, Self Propelled, have their own engine and a greater harvesting capacity, but at three times the price were not the preferred option for most

³¹⁵ Van Wyk, J.J. 1970, Division of Agricultural Production Economics, Economic Series No. 73. By 1970 the predicted savings were verifiable; the cost of delivering a standard 9 ton load of maize in sacks as R3, 04c and the comparative cost for bulk delivery was R2, 06c.

³¹⁶ See Table, 'Maize Production...' and Table, 'Terms of trade. The period of most rapidly expanding capacity was between 1973 and 1977. A bumper harvest in 1973 and above average harvests in three subsequent years coincided with the most positive period terms of trade for farmers in twenty years creating a conducive investment climate.

farmers. The larger the area of maize harvested the wider the spread of fixed costs resulting in economies of scale. This is true for both technologies at both yield levels.³¹⁷ But hand harvesting proves to be cheaper than Power Take Off only on the smaller land areas and the lowest yields. For any farmer with more than a hundred hectares with yields above 1.6 tons per hectare there are savings to be made through harvest mechanisation. In Western Transvaal the 1969/70 season marked the point at which expected average yield increases surpassed the 1.6 tons per hectare.³¹⁸

Government policy allowing profits to be untaxed if spent on machinery provided a definite incentive towards mechanisation. But the rate of adoption of combine harvesting appears to be depend on yield levels, favourable investment conditions and a prior conversion to bulk handling and delivery operations. The government policy to subsidise silo construction ensured the latter and similar infrastructural subsidies can be identified throughout the different agricultural sectors.

4.5. 1980s: Deregulation and Increasing Stratification

The government's 'modernisation policies' proved effective. The investment and expenditure patterns of farmers altered substantially as they adopted a 'high input cost-high physical output' farming system. In the period 1975-1983 farmers bought 123 528 tractors. There was overall farm enlargement as existing farmers took advantage of investment incentives to purchase land from those leaving the sector. Permanent workers were retrenched and there was an absolute fall in demand for seasonal workers.³¹⁹ Three hundred thousand officially registered farmworkers lost their jobs; they either found alternative employment or joined the 'discarded people' who populate the 'homelands'.

³¹⁷ The Department of Agricultural Economics carried out a study, in the late sixties, on the cost comparison of hand harvesting compared to combine harvesting which de Klerk updated using 1975 prices. Table 9 selects information relating to hand harvesting compared to Power Take Off combines. Van Wyk's original calculations (based on, 15, 20, 25, 30, 35 'sacks per morgen') are converted to kg/ha accounting for the seemingly odd range of yield/ha in Table 8. Figure 9 indicates the machine cost per kilo at the lowest and highest yield levels per hectare and on different harvest areas.

³¹⁸ de Klerk, 1984, p 80. Note however while the expected yield per hectare was consistently above 1.6 tons as from 1970 topping 3.1 tons per hectare in 1981 the actual average yield per hectare twice plunged below the 1.6 tons per hectare break even point. Average actual yield in 1972 was 0.9 tons per hectare and 1.55 tons per hectare in 1975/76.

³¹⁹ Budlender, D. 1984 p 306.

However, by 1984, there are clear indications of new trends emerging. Farm employment began to increase again. Tractor manufacturers assessed that new purchases would only be made on a replacement basis,³²⁰ the number of farm units began to increase. An examination of the wider economic context in which agriculture has developed suggests several causal factors which add to the farmers' economic problems and which are examined in greater detail below. (i) The increased potential of production output appears to be also more susceptible to drought and harvest unpredictability (ii) The government promotion of deregulation has exacerbated already deteriorating economic conditions; a cost squeeze, a quota system and price deregulation have affected many products.

4.5 (i) The increased unpredictability of production.

The vulnerability of stock farmers due to periodic drought has long been identified.³²¹ The condition of pasture land has declined, in some extreme cases, to a point where there is insignificant recovery of the veld between droughts. Economic vulnerability of arable farmers due to seasonal differences in weather conditions has been greatly exacerbated as a result of modernisation. For example, Table 4.6 shows that maize production considerably increased from 1955/56 to 1988/89. Average annual production of the first five years was 4.02 million tons and 8.66 million tons for the last five years. Figure 4.8, a scatter plot of 'Maize production: time series data' indicates a general strong upward trend with some variations. A closer look at the variations especially in tons per hectare in different years, indicates some unsatisfactory results. Two years after an all time high in maize productivity per hectare at 3.39 tons per hectare the 1982/83 harvest yielded an all time low of only 1.01 tons per hectare.

Variations in agricultural harvests are unavoidable but the type of new technology which was adopted has exacerbated unpredictability. Table 4.6 further examines the maize production time series data. Production figures are twice smoothed in medians of three. In Figure 4.9 the smoothed data curve is contrasted with the annual maize production data. The outliers indicate both the high and low results obtainable from year to year. In terms of production, the dominant trend is a production increase to be expected from the improved seed varieties. But the outstanding feature is the constancy of the low point of production in the poor harvest years.

³²⁰ Marcus, T. 1986, p 36.

³²¹ RSA Government, 1970. The Marais /de Plessis Commission 2nd report, p.9.

which are the low rainfall years. The plant breeding technology is only able to realise its potential in years of good rainfall when adequately fertilised. However the new seeds are not drought resistant. In poor rainfall years production per hectare consistently dropped back to almost one ton per hectare.

Table 4.6 Maize Production: time series data.

Year	Production million tons	1 smoothed medians of 3	2 smoothed modions of 3	Rough outliers	Tons per Ha.
1955/56	3.8	3.8	3.8	0.0	1.12
1956/57	4.3	3.8	3.8	-0.5	1.24
1957/58	3.7	4.0	4.0	-0.3	1.08
1958/59	4.0	4.0	4.0	0.0	1.00
1959/60	4.3	4.3	4.3	0.0	1.02
1960/61	5.3	5.3	5.3	0.0	1.29
1961/62	6.0	6.0	6.0	0.0	1.38
1962/63	6.1	6.0	6.0	1.0	1.40
1963/64	4.3	4.9	4.9	-6.0	0.97
1964/65	4.9	4.9	4.9	0.0	1.14
1965/66	5.1	5.1	5.1	0.0	1.20
1966/67	9.8	5.3	5.3	4.5	2.10
1967/68	5.3	5.3	5.3	0.0	1.12
1968/69	5.3	5.3	5.3	0.0	1.20
1969/70	6.1	6.1	6.1	0.0	1.40
1970/71	8.6	8.6	8.6	0.0	1.95
1971/72	9.5	8.6	8.6	0.9	2.08
1972/73	4.2	9.5	9.1	-4.9	1.16
1973/74	11.0	9.1	9.1	1.9	2.46
1974/75	9.1	9.1	9.1	0.0	2.03
1975/76	7.5	9.1	9.1	1.6	1.65
1976/77	9.7	9.7	9.7	0.0	2.18
1977/78	10.1	9.7	9.7	4.0	2.24
1978/79	8.3	10.1	10.1	-1.8	1.93
1979/80	10.8	10.8	10.8	0.0	2.50
1980/81	14.7	10.8	10.8	3.9	3.39
1981/82	8.4	8.4	8.4	0.0	1.96
1982/83	4.1	4.4	4.4	-3.0	1.01
1983/84	4.4	4.4	4.4	0.0	1.11
1984/85	7.7	8.1	8.0	0.0	2.03
1985/86	8.0	8.0	8.0	0.0	1.96
1986/87	7.0	7.0	7.0	0.0	1.76
1987/88	6.8	7.0	7.0	-0.2	1.85
1988/89	11.6	8.4	7.0	3.2	3.07
1989/90	8.4	8.4	8.4	0.0	2.41
1990/91	7.7	7.7	7.7	0.0	
1991/92	4.5	7.7	7.7	3.2	

Source: Abstract of Agricultural Statistics 1992, Table 7 for the period 1955/56-1990/91.

* The 1991/92 figure is a DBSA estimate (DBSA 1992) from their assessment of the impact of the current agricultural drought.

In ecological terms this fact is disturbing. Weather forecasts for Southern Africa predict further drought. Soil mapping indicates increased soil erosion. It would appear that agricultural Research and Development should focus on the breeding of drought resistant grain varieties and also turn to alternative farming systems which promote environmental sustainability. This is necessary for food security income stabilisation and in order to ensure a farming future.

Figure 4.8. Maize Production: time series data.

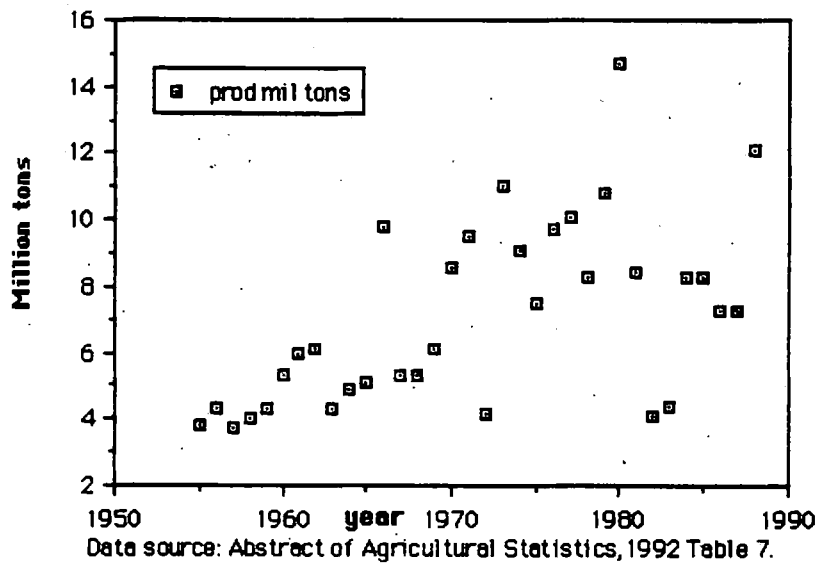
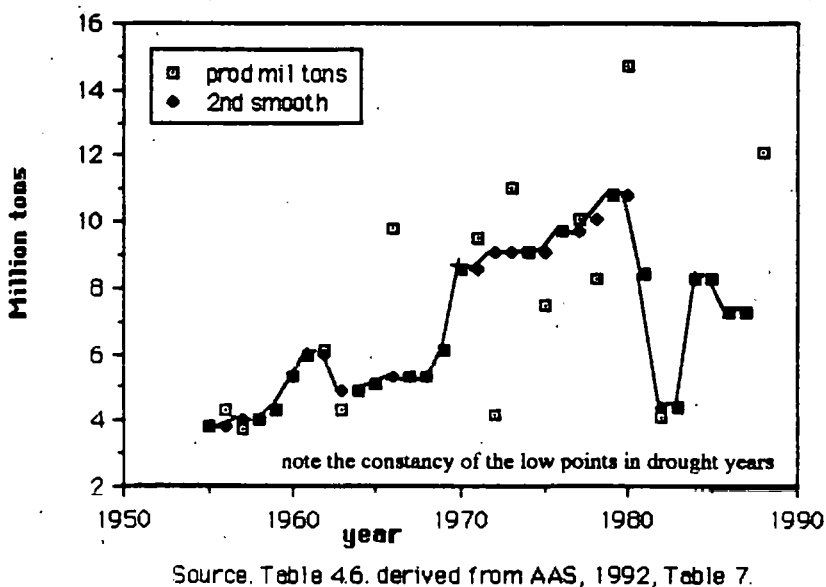


Figure 4.9. Maize Production: smoothed time series data.



4.5.(ii) Government policy changes: the demise of less productive farmers

The adoption of the new technology was undertaken in a period of negative real interest rates for investment borrowing, tax concessions on investments, favourable terms of trade and substantial government subsidies for agricultural inputs. By 1984 this situation had begun to change and continued to change drastically. The government significantly altered its support policies. Since 1982 there have been major changes in (a) credit policy and inflation rates, (b) taxation (c) subsidies, rebates and pricing systems and (d) devaluation of the rand causing steep increases of imported equipment and inputs. The cumulative effects of these on the terms of trade were substantially unfavourable to the farming community.

Table 4.7 Credit Conditions and Monetary Information.

Year	Commercial Rate	Land Bank rate	Inflation rate	US\$/R
1968	8.33	6.00	1.7	1.39
1969	8.00	6.00	2.9	1.39
1970	8.17	6.00	5.3	1.39
1971	8.83	6.00	6.1	1.40
1972	8.79	6.00	6.5	1.29
1973	8.00	6.00	9.4	1.44
1974	10.17	7.00	11.7	1.47
1975	11.79	7.00	13.5	1.36
1976	12.25	7.00	11.1	1.15
1977	12.50	7.00	11.3	1.15
1978	12.13	7.00	10.9	1.15
1979	10.00	7.00	13.3	1.18
1980	9.50	7.00	13.8	1.28
1981	14.00	7.00	15.2	1.14
1982	19.33	10.00	14.7	0.92
1983	16.67	10.00	12.3	0.89
1984	22.33	10.00	11.7	0.69
1985	21.50	13.34	16.2	0.45
1986	14.33	13.94	18.6	0.44
1987	12.50	13.69	16.1	0.49
1988	15.33	13.68	12.9	0.44
1989	19.83	14.59	14.7	0.38
1990	21.00	16.06	14.4	0.38
1991		17.00	16.3	

Source: Commercial Lending Rate from International Financial Statistics Yearbook 1991, IMF, pp670-671. The R/\$ exchange rate, *ibid.*, pp668-669. The inflation rate computed from the Consumer Price Index (CPI) Abstract of Agricultural Statistics, 1990, Table 90 and 1992, Table 89. The Land Bank rate is that charged on long term loans, Land Bank Annual Reports.

(a) credit policy and inflation rates.

Table 4.7 indicates the changes in borrowing conditions for farmers. Up to the end of 1983 the state Land Bank was the cheapest access to farm credit. The credit facilities of agricultural supply and marketing cooperatives was the next cheapest supply of finance. Commercial banks provide the most expensive credit. But the credit available from the Land Bank and cooperatives was limited. The Land Bank credit was available for long term borrowing and mostly granted for land purchase. Cooperatives mostly extended credit for seasonal input supplies and marketing costs. Commercial banks tended to be used for short term loans. However the average rate of interest available to farmers was below the inflation rate until 1982 and this itself provided a borrowing incentive.

In 1982 the state decided to modify its policy of low interest rates for farmers. Land Bank interest rates increased 6.3 percentage points from 1981 to 1985. The average interest rate overtook the inflation rate and remained higher. By 1984 Land Bank interest rates as high as the Cooperatives' lending rate. The government's credit policy changes coincided with the worst drought in three decades.

(b) Subsidies and rebates and pricing systems.

The government has changed its approach to agricultural subsidies. Instead of product subsidies the main subsidy at present, and which is not categorised as such in the statistics, is financial. A review of expenditure patterns indicates that large subsidies used to be given to lower the production costs (fertilisers, rebates on transport) and subsidies on maize and bread lowered the cost of staples to low income consumers. Table 4.8. indicates the change since 1975 in nominal terms; the recent reductions are more severe if the high rate of inflation is taken into account.

The government says the changed subsidy policy reflects its commitment to deregulation. However the money the government continues to spend is still used as a policy instrument. The current state objective is that grain farming should take place on the best arable lands and pricing structure should no longer provide the incentive for grain production on land which is less suitable and has a lower productivity. Hence the reduction of expenditure is not across the board for all categories. Government expenditure on stock feed and grazing has increased with the objective of encouraging pastoral farming. The

complementary policy shaping action is the reduction of those subsidies and rebates which were important to grain farmers. A new price system was introduced as a further tool. The 1989 maize harvest was marketed according to a dual price quota system. There was one fixed price operating up to one level of output and a lower price available to sales above this amount.

Table 4.8. Government Subsidies and Rebates.(in Rand million)

Year	Bread (wheat)	Maize	Ferti- lisers	Stock feed & grazing	Transport rebates
1975	44.6	31.5	15.4	0.0	2.1
1976	61.6	54.8	18.4	0.0	2.3
1977	67.8	61.9	17.8	0.0	3.0
1978	65.4	51.7	14.2	0.0	4.0
1979	57.4	47.9	8.4	0.0	1.6
1980	116.4	44.7	3.5	3.9	2.4
1981	162.1	59.4	11.0	15.7	4.0
1982	182.0	83.0	12.0	14.1	3.1
1983	193.5	69.9	10.6	22.8	5.2
1984	267.6	132.4	3.5	54.2	19.3
1985	194.3	215.0	3.4	75.1	14.6
1986	180.5	250.0	2.5	64.0	10.3
1987	147.0	151.0	2.0	40.1	5.0
1988	147.4	359.0	1.0	69.2	6.8
1989	132.0	80.0	0.0	44.1	2.9
1990	105.9	76.0	0.0	10.5	5.4

Source: Abstract of Agricultural Statistics, 1992, Table 104

Farmers have begun to re-examine their level of input use as a result of the cut in subsidies. Until 1982 chemical usage was not only more widespread but it was also being applied more intensively. For example, in the period 1966-1982 the amount of fertiliser used per hectare of maize rose from 20kg/ha. in 1966 to 100 kg/ha. in 1982. A record high usage was recorded in 1981 when average figures topped 110 kg/ha. Since 1981 the rising cost of chemical fertilisers and the phasing out of the subsidy has made farmers measure more carefully the extra yield due to levels of fertiliser application and many are now reducing the quantities per hectare.³²²

(c) Terms of trade. Table 4.5 compares the increase in the price index of farm equipment and inputs with farm product prices and the consumer price index. The index is set at 100 for 1975. By 1986 the overall

³²² Marcus, T. 1986, p36.

general index level for farming requisites was 465.5, for all machinery and equipment 535.9 and for tractors 615.4. In comparison the overall index for farmers' output prices was 310.4.³²³ Although the volume of output increased in this period, farmers claim that increased volume of output fails to compensate for the lower net income per unit of output which results from the deteriorating terms of trade.

Differences in the rate of increase of various types of farming requisites largely depended on the import content of the produce. The decline in the international value of the Rand in the 1980s led to an enormous rise in import costs. The value of the rand in dollar terms declined from 0.9 rand to the dollar in 1983 to 0.69 in 1984, 0.46 in 1985, 0.45 in 1986, 0.49 in 1987 and 0.38 by 1989. (See Table 4.5.)

Fertilisers are domestically mixed and packaged but some use considerable quantities of imported products. Tractors are either imported or domestically produced but need imported components. The increase in tractor purchase costs was the highest. Table 4.5 indicates that the terms of trade for agriculture at 85 in 1960 substantially improved for the next twelve years to reach their all time favourable peak in 1972 at 117.5. Ten years later it was back to the 1960 level at 84.9. The figures for 1984-87 show an all time low, an average 76.7 for these three years.

However changes in terms of trade would not appear to have been absolutely determinant in shaping farmers' expectations and investment behaviour at least until 1982 when borrowing conditions changed. For if the nominal expenditures on equipment and machinery are deflated and the 1975 price used as the base, the comparative volume purchased annually can be calculated (Column 4, Table 4.9) This is represented graphically in Figure 4.8 'Volume of machinery and Equipment Purchase per year.' The sharp decline in the terms of trade in 1978 did not appear to affect machinery and equipment purchase. A good harvest and tax concessions on new equipment outweighed longer term considerations of declining terms of trade.

Grain farmers are the major purchasers of machinery and equipment. The unpredictability of production harvest tends to influence farmers to 'live from day to day rather than behave according to long term

³²³ AAS, 1987, Table 91 gives this more detailed breakdown of the various categories of farming requisites.

Table 4.9. 'Volume of Machinery and Equipment Purchase per Year.'

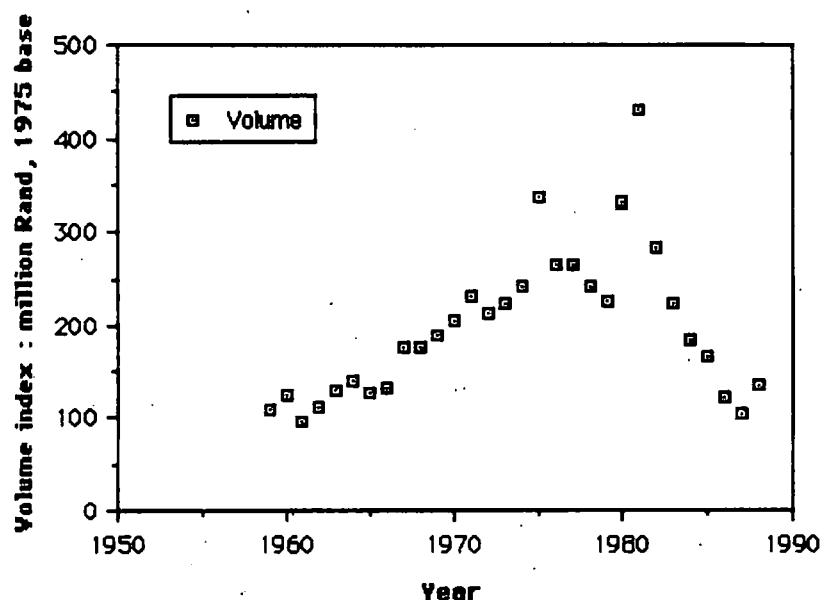
	1	2	3	4
Year	Nominal value million rand	Nominal price	Price @ 1975 base	Volume = 1 * 3
1959	50.3	43.9	94.6/43.9	108.4
1960	58.6	44.9	94.6/44.9	123.5
1961	46.5	45.3	94.6/45.3	97.1
1962	54.7	46.1	94.6/46.1	112.2
1963	64.6	46.9	94.6/46.9	130.3
1964	70.7	48.1	94.6/48.1	139.0
1965	66.7	49.7	94.6/49.7	126.9
1966	70.4	50.3	94.6/50.3	132.4
1967	95.6	51.1	94.6/51.1	177.0
1968	98.2	52.4	94.6/52.4	177.3
1969	107.7	54.0	94.6/54.0	188.7
1970	120.9	56.2	94.6/56.2	203.5
1971	142.4	58.5	94.6/58.5	230.3
1972	142.0	63.5	94.6/63.5	211.5
1973	163.7	69.7	94.6/69.7	222.2
1974	192.9	75.9	94.6/75.9	240.4
1975	336.5	94.6	94.6/94.6	336.5
1976	321.8	115.2	94.6/115.2	264.3
1977	356.3	127.4	94.6/127.4	264.6
1978	368.9	145.1	94.6/145.1	240.5
1979	397.8	167.4	94.6/167.4	224.8
1980	636.1	181.0	94.6/181.0	332.5
1981	946.9	207.8	94.6/207.8	431.1
1982	722.3	241.5	94.6/241.5	282.9
1983	669.9	283.1	94.6/283.1	223.9
1984	608.0	311.7	94.6/311.7	184.5
1985	663.5	378.3	94.6/378.3	165.9
1986	633.9	490.9	94.6/490.9	122.2
1987	658.0	605.7	94.6/605.7	102.8
1988	970.0	683.2	94.6/683.2	134.3

Source: Abstract of Agricultural Statistics, 1990, Tables 80 & 92.

expectations.³²⁴ I compare data on maize harvests and machinery purchased in Figure 4.9., 'Maize Harvest and Machinery purchase by year.' The graphics indicate that large maize harvests led to extra cash availability (under a fixed price system) and were followed by increased spending on machinery. This trend only changed after 1984. For the first time the improved harvest in 1984/85 and 1985/86 did not result in an increase in purchase of machinery. This may have been due to liquidity problems following the earlier two year drought. Furthermore, the subsequent repeal of the favourable tax regulations for the purchase of new equipment make it unlikely that good harvests will lead to increased tractor purchase as it did in the 1970s.

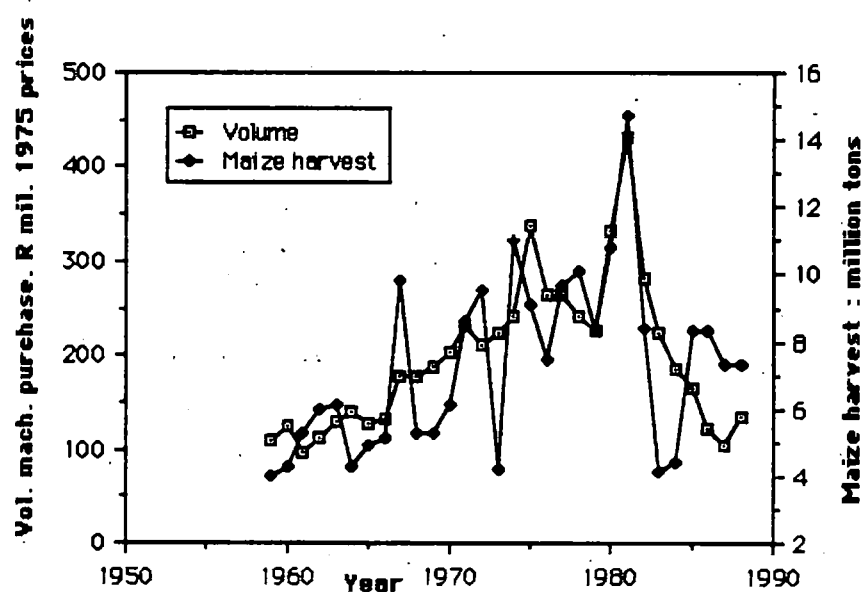
³²⁴ Personal communication with David Cooper, coordinator of Environment and Development Agency, Johannesburg, RSA.

Figure 4.10. 'Volume of Machinery and Equipment Purchase by Year.'



Source: graph derived from Table 4.9.

Figure 4.11. 'Maize Harvest and Machine Purchase by Year.'



Source: Graph derived from data presented in Table 4.6. and Table 4.9

Table 4.5. also compares the index of producer prices received by farmers and the consumer price index. 1975 is used as the base index of 100. By 1981 both the agricultural products and the consumer index were almost equal at 201 and 203.5 respectively. The trajectory of rate of increase then diverges and the final available figure shows producer prices at 310.4 compared to the consumer price index of 340.3. The implication is that farmers would have to increase output in order to maintain the real value of their income and purchasing power in terms of consumer goods. The index

of volume of agricultural production suggests this would have been possible for some farmers.

(d) The cumulative effect of changes in production economics.

When farmers adopted the "hi-tech" labour saving and yield increasing strategy the economic conditions were very different to those prevailing since the 1980s. Price fixing, subsidies, rebates, negative interest rates, favourable tax laws, favourable terms of trade have all been reversed. Increased volatility of production has increased farmers' economic insecurity. The result is a continued centralisation process within the farming sector with a sharply skewed income distribution.

In the last twenty five years 40 000 farms have been bought out and merged with other farm units. Approximately 60 000 units remain. In 1983 27.5 per cent of the white commercial farming sector accounted for 72.8 per cent of gross farm income and controlled 80 per cent of agricultural resources.³²⁵ Hattingh estimated that 1 percent of farmers or 590 units contributed 16 per cent of gross farm income earning a projected average of R2,62 million per unit in 1985, 6 percent of units produced 40 per cent of gross farm income.

Within this top echelon of profitable farming are a number of companies which have diversified their investments to include agriculture along with their mining and industrial portfolios. These include Anglo American corporation which runs "mega farms" through its Soetevelde subsidiary in the Eastern and Southern Transvaal, Northern Free State, Northern Natal and the Rhodes Fruit farms in the Western Cape. Anglo also owns Tongaat-Hulett which farms sugar and vegetables. Other Anglo subsidiaries SAPPI and Mondi are major buyers of agricultural land for timber planting. Kanhym Estates, a beef and maize company, partly owned by Gencor owns farms in Eastern Transvaal. Sanlam is identified as the ultimate controlling shareholder of Kanhym Estates.³²⁶ Poultry companies such as Farmfare and Stein Bros. are owned by food industry companies.

In the meat industry, both production and distribution are dominated by 'the big three' the cooperative Vleissentral, and Imperial Cold Storage

³²⁵ Cooper. D. (1986) citing a SAAU 1984 report and Hattingh, a civil service economist.

³²⁶ Neill, D.G.R. 1986. p2. citing McGregor, R 1985.

and Karoo Kanhym.³²⁷ Imperial Cold Storage is not a recent newcomer to the farming sector. ICS originally started operations in 1923 in partnership with De Beers and the British South Africa Company. In 1937 they became sole owners of vast ranching lands. Macgregors 1985 index, however now shows S.A. Mutual to be the ultimate controlling shareholder, via Barlows.³²⁸ These companies, along with the suppliers to agriculture and five food processing conglomerates (CG Smith, Premier Foods, Tiger Foods, Federale Foods and the co-operatives) are investing in agriculture as part of a process of vertical integration. Their various subsidiaries supply farming requisites, are involved in production, are buyers and processors of agricultural products, and do packing, wholesaling and retailing.³²⁹

But stratification in farming is not only indicated by the phenomenon of large companies taking over production where they can gain through vertical integration. Stratification also occurs between farm product sectors as profitability conditions for different products change over time. The sectors which are currently flourishing are those (a) who produce high value produce for urban consumption; fruits and vegetables which generally need considerable capital investment and irrigation and (b) timber for paper products which are commanding an all time high in real price increases and export possibilities and (c) those export sectors for which export conditions have improved eg.grapes, citrus and wine. This reflects improved export conditions rather than increased productive capacity with foreign exchange earnings benefitting enormously from the devaluation of the rand.

The farming sectors which are doing badly are those most severely affected by adverse weather conditions (i.e.. rain-fed grain farming) as well as export products for which the international prices have declined and even the devalued rand does not compensate. In 1980 maize and sugar were the two most important export products. Since then there has been a severe decline in the international sugar market and by 1984 the value of sugar exports had fallen 53 percent.³³⁰

At the bottom end of the farming spectrum 72.5 percent of farming units, roughly 40 000 farms, share between them only 27.2 percent of farm income; many of them grain farmers. The farmers leaving the sector tend

³²⁷ Marcus, T . 1986 p.10.

³²⁸ Neill, D.S.R. 1986, p2.

³²⁹ Cooper, 1987, p8.

³³⁰ Sunday Star. 27/4/88

to be those operating on comparatively small sized farming units. From April 1982 to March 1983 some 9414 farms covering 3.5 million hectares were sold. Of these 56.2 percent were less than 110 hectares, 72.8 percent were smaller than 300 hectares. Only 8.7 percent of the farms sold were more than 1000 hectares.³³¹

The statistics fail to indicate some new trends. For example some farmers at the bottom end of the spectrum are changing their land use. Subdivision is taking place informally especially in areas where the profitability conditions have deteriorated.³³² Moreover there are land use changes due to new leases; corporate owners now rent out gradually increasing tracts of land which they have held for speculative (and often mineral-related) reasons rather than for agricultural potential. Changes in the law now make it possible for white farmers to rent out land legally to blacks. So while there is little change in registered ownership, the occupation and use of land is greatly affected. Such patterns are emerging not only in marginal productive areas but generally in areas with weak marketing services.

In conclusion, at present South Africa's white commercial agriculture is both in the midst of further restructuring and political crisis. State intervention to promote a more rapid modernisation of agriculture has been followed by a policy which began effectively to squeeze the economically less efficient producers out of farming. Centralisation has continued but with increasing stratification among farmers. Previously subsidy policies and super exploitative labour conditions allowed an extended life-span for less productive white commercial farmers. But their inability to sustain a desired level of farm income or farm liquidity appeared, until recently, to indicate inevitable liquidation for many.

However although government policy on deregulation and reduction of subsidies began to be implemented in the early eighties, it is only at the end of the decade that many thousands of farmers have technically arrived at bankruptcy (the 1991/92 drought has simply exacerbated the problem).

Debt levels have increased and the incidence of bankruptcy as a cause for leaving farming has risen. In 1985 144 farmers were declared bankrupt. The 1987 total of bankruptcies were 412 and by 1988 an estimated

³³¹ Marcus. T, (1986)

³³² Mabin. A. 1990, p9. discusses the situation in the eastern Transvaal highveld districts.

3 000 farmers were on the verge of sequestration. By 1988 the finance minister expressed grave concern over the farming debt estimated at R14 billion remarking that 'the short term component of the debt since 1982 comprised more than 50 percent of the total - a situation generally regarded as unsound.'³³³ By the end of 1990 the debt owed by individual farmers totalled R15,9 billion.³³⁴ This debt was held as follows: commercial banks R4,9 billion (31.2%), agricultural cooperatives R3.8 billion (23.9%), the Land Bank R3,4 billion (21.7%) the Agricultural Credit Board R1,013 million (6.4%) other financial institutions R1,2 billion (7.5%), private persons and others R1,5 billion (9.3%)

Farmers have become obliged to borrow further in order to service their interest payments, to meet short term cash payments. They have mostly done this by restructuring their debt. Short term debt carries a higher rate of interest than long term debt and restructuring debt arrears often means a higher debt servicing cost.

This crisis has coincided with the National Party commitment to political change and a perspective of a democratically elected government in which it cannot hope to wield the same power as in the past. The political pressure on the National Party from dissatisfied farmers and the banking sector has been considerable. Banks have opted for a self-imposed moratorium on sequestrations. They fear depressing real estate prices through auctioning off property in the midst of an economic recession; they have difficulty managing a sequestrated farm themselves.

Although the government stated its commitment to supporting only the economically efficient farmers and not sustaining the continuity of less productive farmers in practice political pressures and pragmatism have forced the government to act differently. The government intervened throughout the 1980s with selective Financial Assistance schemes which provided credit at 8%. In 1988 it allocated R309 million to maize farmers, R900 million as state guarantees of carry over debts and R400 million to keep insolvent farmers on the land.³³⁵ Nevertheless the state granted financial assistance in one form or another to some 27 000 (about one third)

³³³ Cape Times, 17/3/88.

³³⁴ Abstract of Agricultural Statistics, 1992, Table 103.

³³⁵ The Star, 27/1/88. But delegates at the farmers' union (SAAU) conference in 1988 complained that the R400 aid scheme is inadequate; fewer than 10 percent of the 3 000 needy farmers had applied for aid because 'refusal' they argued 'virtually guaranteed liquidation'.

of the country's white farmers during the decade ending in 1990.³³⁶ The average loan assistance over the period 1981/82 to 1991/92 amounted to R26,231 per farm and subsidies average R35,726 per farm.³³⁷

The Government has gradually succumbed to political pressure. The 1988 grant of R400 million special assistance for farmers in financial difficulties due to drought conditions appeared to be given reluctantly as a political response and a deviation from the principle policy to deregulate and sift out those white commercial farmers who could not survive in the new economic conditions. But the most recent measures completely renege on the stated objective of only supporting economically efficient farmers.³³⁸ The latest government assistance package, approved by parliament as "debt relief" goes far beyond such relief and for many beneficiaries actually writes off debts accumulated in the last decade. R3.8 billion is to be made available for drought relief of which R3.25 billion is specifically available for summer grain farmers. These farmers will receive R375 a hectare; R175 is intended to reduce farmers' debt with the agricultural co-operative which has been providing production credit, R100 is intended to cover the debt specifically due to the failed 1991/92 crop and R100 is said to be for cooperatives to retain towards production credit for the following year. In previous years debt relief assistance was only given after a relatively stringent evaluation of the farmer's capacity to remain solvent in the future- hence aiming to help effective producers out of a temporary problem. The current relief package has a very different objective. It aims to generally reduce the debt levels of summer grain farmers, the most acrimonious section of the white farming constituency. For example the R375 grant will reduce average debt levels from R766 per hectare to R391, a level considered to be manageable in the future.³³⁹ The implications of this package in terms of future land redistribution are examined in Chapter 7.

This Chapter highlighted the restructuring process within commercial agriculture during National Party government's rule since 1948. This examination of the restructuring of the South African agrarian economy reveals the process through which the government engineered a 'reform' of white commercial agriculture through certain infrastructure investments, profit taxation policies, selected subsidies for certain

³³⁶ RSA 1992a, Chapter 10

³³⁷ Using the mid period estimate of farm numbers of 65 880.

³³⁸ RSA Government, 1992b.

³³⁹ FRRP (1992) p2.

technological items, producer pricing policy and changes in rates of interest. Land prices are influenced by government policies and changing profitability conditions and in their turn land prices, as I will show in Chapter 7, themselves directly influence a continuously changing profile of number and size of farms. I examine the complexity of contemplating a land redistribution programme in a 'free market' system with stratified existing and potential producers and a heritage of state intervention which has supported land prices.

Chapter 5. Class Formation among Blacks in South Africa's Rural Areas.

Land and agrarian reform programmes which fail to take account of geographical and social differentiation risk policy choices which have dire consequences. The Mozambican failure to link class analysis to its cooperative programme or to recognise the majority of state farm workers as semi-proletarians is a case in point.³³⁷ Similarly Zimbabwean land reform criteria disqualified wage workers as beneficiaries of land redistribution thus failing to recognise the role of wage remittances as a contribution to the production capacity of the rural homestead. A full comprehension of social classes and economic dynamics in the rural economy is essential to policy design. Moreover it is equally important to seek rigorous and comprehensive clarity to "formulate and apply an empirical criterion for the grouping of (rural) households into social classes"³³⁸ otherwise the differentiated analysis (while laudable in intent) may produce misleading results.³³⁹ My objective in this chapter is not only to describe differentiation of black rural dwellers but also to identify specific groups whose essential characteristics distinguish them sufficiently from other groupings to indicate their potential and differing aspirations vis -a -vis a land reform and agrarian restructuring.

The entry point of this chapter outlines some of the main differences in historical approaches to rural class analysis in predominantly peasant societies. I note the need for a modified analytical approach particularly in the world's South where land alienation is mostly incomplete, where migrancy is prevalent and analysis of class and class consciousness is necessarily more complex. I present data on South African labour migration, income sources and land use of black households. In section three I examine the contemporary debate on rural class analysis in the South drawing on work carried out in India and Latin America and Africa. I then examine some of the recent contributions on rural class analysis in South Africa. I conclude that the analyses resulting from the various

³³⁷The work of the Centre of African Studies, Eduardo Mondlane university in its post independence policy research emphasised the need to cater for unemployed mine workers in the rural areas whose lack of wage income contributed to a wider social and economic crisis as shrinking rural incomes also affected artesans. In later years, a rural policy which focussed on the poor peasantry rather than 'agricultores organisadas' i.e. largely 'black male entrepreneurs' would have provided Frelimo with a peasant base of support in the war against RENAMO (Mozambique National Resistance)

³³⁸ Patnaik, U. (1987) pl.

³³⁹ I feel this to be the case with most of the S.A. rural class analysis which I review later in this chapter.

methodological approaches are unsatisfactory. Against a background of a critique of these approaches I suggest an alternative analytical framework. I set out a categorisation of groups of South Africa's rural inhabitants and relate it to prospects of land redistribution and agrarian restructuring.

5.1 Differing historical approaches to analysis of rural areas.

In feudal societies the essence of a rural revolution among the peasantry would involve a struggle against feudal landlords. In many African societies there was no such exploitation in the classic feudal or capitalist sense. But there are differences one would expect within a peasant economy based on petty commodity production (PCP): the family is not separated from the land, its means of production and the household unit is both the unit of production and consumption.

In analysing the development of capitalism and class formation Marx emphasised the process of primitive accumulation the separation of the direct producer from the means by which he can realise his own labour as a necessary pre-condition of the capitalist mode of production.³⁴⁰ However colonial capitalism was to devise other means of drawing the peasant economy into its exploitative domain whether by forced cropping, forced labour or the imposition of taxes which forced the peasantry to sell either produce or labour in order to pay taxes. Once pre-capitalist economies were penetrated by the money economy and drawn into the market significant differentiation developed within that society.

In South Africa loss of territorial power through colonisation precluded the possibility that the South African indigenous peoples would be able to re-establish, in the same manner, their former organisation of production. Moreover South African economic prospects changed dramatically when whites began mining gold. The discovery of mineral wealth fostered an unprecedented growth of the internal market for agricultural produce thus transforming attitudes to landholding (because of the possibility of mineral rights and its commercial agricultural potential), and there was a rapid growth in the demand for non-agricultural labour. The reorganisation of production by the indigenous peoples, therefore, took place in a changing framework. They faced restricted access to land. The potential of an expanded market for their produce was off-set by laws which impacted on their organisation of production. The hut tax was one such law; families needed a marketable surplus above their own personal

³⁴⁰ Marx, K., Capital. Volume I.

needs in order to pay the tax and if this were not possible a member of the family had to find wage work to raise the cash.

African families responded differently to these changing circumstances and their response was very much determined by their position within the tribal social formation.³⁴¹ Colonial writers generally fostered an inaccurate view of tribal societies as predominantly "egalitarian" and with "redistributive" structures³⁴² devoid of economic strata and class conflict. The notion of communality, lack of private land ownership and rudimentary agricultural techniques have been used to bolster a version of the African as lacking in entrepreneurial ability, and as living in a communal system which impeded the individual's incentive to compete and develop.³⁴³ Bundy led a new and progressive wave of historical data analysis and interpretation in the 1970s which focussed on African peasant based production in the 1870-1890 period. Historical records proved a considerable rise in marketed surplus from African producers, contradicting long held conservative views about the backwardness and incapacity of Africans to respond to new conditions.³⁴⁴

Lewis analyses data on the marketed produce of black communities and interprets the information in relation to the differential capacity of households to exploit the new market opportunities. He notes that some rich peasants were able to expand production and invest in oxen, ploughs and transport. But for the majority, the poor peasantry, this was not possible. The latter was not even likely to produce sufficient surplus to cover their hut tax. The sale of grain to raise the money to pay the hut tax could only have been at the expense of family consumption.³⁴⁵ Wage workers and migrant mine workers must have come mainly from the poor peasantry.

³⁴¹ Lewis, J. 1984.

³⁴² Wolpe, 1972, p.432.

³⁴³ Goodfellow, D.M. 1931 is a good example of such historical appraisal.

³⁴⁴ Bundy, C. 1979.

³⁴⁵ Such consideration must permit a reassessment of the nature of the absolute quantity of commercialised surplus. If the per family produce which was sold in order to pay the hut tax is calculated and discounted from the total commercial produce and subtracted from the records available on commercialised produce this considerably depletes that quantity of truly surplus produce which may be said to have been produced by the rich peasantry. On the other hand, perhaps the poor peasantry did not pay the hut tax through self-denial of consumption of home produce- perhaps they paid from wage income. But whatever the modified appraisal, the analysis remains valid, peasants were able to respond to market conditions and produce notable marketable surpluses.

My use of the descriptive words rich, middle and poor peasantry stem from the methodology used by Lenin to analyse Russian rural society and by Chinese leaders to provide guidelines for the redistribution of land.³⁴⁶ The Chinese took particular care to clarify class relations. Households were not simply classified according to how much land and means of production they owned. What was also considered important was the extent to which their income depended on exploiting other people whether through rents, interest or hired labour.³⁴⁷ More recently in the 1970s in Southern Africa, researchers in Mozambique used the same principles to group households into social classes.³⁴⁸

Rich peasants, in Mozambique were few in number and their material well-being not always significantly superior to those of middle peasantry. But one essential differentiating characteristic of the rich peasantry was the fact of their hiring labour. The characteristics of Mozambican middle peasants were: ownership and use of means of production especially ploughs, oxen and sometimes a milling machine, agricultural production both for home consumption and marketable surplus, relatively larger land holdings, the ownership of relatively large numbers of fruit or nut trees, some additional income from artisanal activity and a relatively large family labour force. Poor peasants, however, usually owned hand tools but rarely oxen and ploughs, had less land and generally a less well-established base of agricultural production. Their marketable surplus was mostly insignificant (the days of forced cropping being over), and they often produced too little food for family consumption so that some family members would look for work to supplement the household income.

It is interesting to note that the Mozambican researchers identified a relatively larger family household (i.e. household labour force) as a significant but not as a key determinant of class stratification. This methodological approach took cognisance of Chayanov's theory but implicitly rejected the analytical application advanced by him. It is conceded that the number of productive family members alters productive capacity: (a young family may have a larger ratio of dependents than an older family with productive adolescents) but this is not accepted as a class

³⁴⁶ Lenin, V.I. (1977) p 77

³⁴⁷ Stavis, B. (1978) p30.

³⁴⁸ CEA, 1977, p106-8

determinant.³⁴⁹ Chayanov advances a view of a peasant economy made of innumerable scarcely distinguishable "family farms" whose only notable difference is their family size and the fact that larger families are relatively better off than smaller ones. Moreover Chayanov's proposition is based on the "superior viability" and "efficiency" of family farms relative to capitalist farms.³⁵⁰ Patnaik's expose of this so-called superior viability is dealt with in greater detail in Chapter 6 which examines the linkages between class, scale, technology and production functions in relation to land distribution and agrarian reform. Here suffice it to say that Chayanov fails to propose an adequate theory regarding the dynamics of a peasant economy; its genesis and whether and under what conditions it might give way to other forms of economic production. At best he offers a theory of cyclical household differentiation.

In present day South Africa however, as in many southern countries, the dominant feature of the majority of rural households is that some of their members are migrants. The way migrant wages are used differs according to the class of the rural household. One cannot simply categorise those households which have migrant workers as the "poor peasantry" on the assumption that migrancy occurs because they have insufficient land and means of production with which to satisfy their family needs. In the southern Mozambican study in which the agricultural base remains a major component of the household income it was found that migrant remittances served a different purpose depending on social class. The poor peasantry principally used remittances to buy food whereas the middle peasantry used it to buy means of production and strengthen their agricultural base. In South Africa, however, the agricultural base has been so destroyed and migrant remittances so dominate the rural economy that the conceptualisation of these rural residents as peasantry must be reconsidered. In Section 2, I indicate the extent to which the agricultural base has been weakened through state intervention as well as migrancy and proletarianisation. In Section 3, I return to the debate on rural class analysis and introduce alternative approaches which are more applicable to migrant rural societies.

³⁴⁹ Sender J & S Smith, (1990) pp36-38 apply Chayanovian proposition to household survey data in a Tanzanian case study and find it completely fails to provide a "satisfactory explanation of the determinants of individual's income and wealth"

³⁵⁰ Banaji J, 1976, presents a summary of selected parts of Kautsky's "The Agrarian Question," which examines the conditions of agrarian transformation, the speed of which is slower than might have been anticipated in Marx's writings because of a small farm resilience to continue even while using less productive methods

5.2. The demise of the peasantry

The growth of urban centres and investment in rail transport encouraged many white land-owners to manage their own production. Although some of them started off with no capital, landlordism enabled them to amass savings from the rents of their black tenants. But to manage their own production they wanted farm labourers, not tenants, on their farms. The mining houses also desperately wanted supplies of (black) labour whose wages (although low) were higher than farm wages. Both mining capital and agrarian capital thus had vested (even if competing) interests in securing the African dispossession of, or closure of access to land and means of production.

For the middle and rich peasantry the path to proletarianisation was to be protracted. This process was delayed but could not be prevented by their ability to farm, to develop new skills and to expand production. This capacity was demonstrated by the rich peasantry in the reserves and those black tenants on white owned land, many of whom succeeded in amassing oxen, ploughs, and cattle even whilst "farming on halves". But the peasantry as a whole experienced a devastating and bitter proletarianisation process. Discriminatory legislation, passed periodically throughout the first seven decades of the twentieth century, ensured further loss of land and means of production pushing many to seek wage work. For the majority the result has been landlessness, unemployment, dependency on waged household members or simply destitution.

Legislation ensured the limitation and eventually the elimination of cash tenants and/or sharecroppers.³⁵¹ As white land-ownership was formalised blacks lost all legal title to their land. Many of them continued to farm on the same land on a cash rent or sharecropping basis. The "landless" cash-paying tenants or sharecroppers were referred to as "squatters". Some white interest groups opposed squatting as it impeded the availability of black wage labour whether for mining or farming. Many white farmers regarded these tenants as competitors and maligned them as stock thieves. White farmers in the Orange Free State complained that share cropping created a scarcity of labour and destroyed the right relationship

³⁵¹ "Sharecropping" whereby an agreed portion of the crop is paid to the landowner as rent is alternatively referred to as 'farming on shares', sowing 'on shares' or 'on the halves'.

between master and servant.³⁵² Laws were passed to limit the number of black families in residence on white farms. In Natal's legislature Ordinance 2 of 1855 limited black residence on white farms to only three families. The Transvaal Squatters' Law (Law 11 of 1887, amended by Law 21 of 1895) "laid down the five-family rule but permitted five 'coloured' families for every white head of household, including the white squatter (bywoner) heads of households if the owner of the land agreed"³⁵³

The four different colonies/republics initially made their own laws governing the renting or purchasing of land by Africans. The Orange Free State and the Transvaal both passed laws in 1895 on the numbers of so-called "squatters" who could reside on white land. Restrictions on squatters were passed in the Cape in 1909 but never in Natal. Africans could purchase land in the Cape and Natal but never in the Orange Free State. Eventually this prohibition was extended to the Transvaal. The 1913 Land Act finally unified the approach to purchase and hire; it prohibited black purchase or hire except in the areas scheduled as Native areas.³⁵⁴

There was, however, some allowance for the continuity of existing rental arrangements except in the Orange Free State "where the renting of land by Natives, whether for cash or on the share cropping system became illegal"³⁵⁵ The law gave landlords leverage to obtain a labour supply for their own farming activities. They foreclosed sharecropping rentals and offered labour tenancy agreements. Many sharecroppers took to the roads in search of landlords who would offer them better tenancy conditions. This phenomenon of richer African peasants trudging the roads with herds of livestock in search of land contributed to the formation of the African National Congress in 1912 which sent delegations to London to seek Imperial intervention against the enforcement of the Land Act.

In the first two decades of this century the number of labour tenants increased with share croppers joining their ranks as a direct result of the Native 1913 Land Act.³⁵⁶ Labour tenancy became the dominant, if

³⁵² Davenport & Hunt, 1974, citing Keyter, MP for Ficksburg giving evidence to the Beaumont Commission in 1916

³⁵³ Davenport and Hunt, 1974, p33.

³⁵⁴ Morris, 1976, p338. Relevant legislation includes: The Native Land Act, No. 27, of 1913. The Private Locations Act of 1909 in the Cape Colony (regulating squatters); Ch. xxxiv Part I article 6 of the OFS Law book 1895 (on purchase) and Law No. 4 on squatting; Law No 21 of 1895 in the Transvaal.

³⁵⁵ *ibid.* citing Van de Horst, S. 1942, p291. 'Native Labour in South Africa.' OUP

³⁵⁶ Morris, M. 1976. and Bundy C, 1979, p241". . . by 1913 white food producers in all four provinces were aware of a growing and potentially even greater economic

transitional, system of labour supply with regional variations. By the 1930s most labour on farms in the Cape was wage labour whereas in Natal it constituted up to 90% of the labour in some districts. "In general it was estimated that as late as the 1940s farm labour consisted of 70% labour tenants and 30% labourers earning cash wages."³⁵⁷

There has been a considerable debate on the proletarian versus peasant characterisation of the labour tenant during the emergence of agrarian capitalism. According to one analysis, wages in 1928/29 were made up of cash wages, payment in kind, the rental value of the arable land used by the labour tenant and the value of grazing.³⁵⁸ The proportionate share of each wage component was calculated as follows: For coloured workers in wheat growing areas the payment in cash and kind was 100%. In other areas it varied from 63% to 87%. In the North Eastern Orange Free State the value of the land and grazing was 56% and therefore greater than the cash and kind payment. But this was the exception rather than the rule.

The generalised use of labour paid predominantly in cash and kind evidences the establishment of the capitalist mode of production in white commercial agriculture by the end of the 1920s. Many labour tenants no longer owned their own oxen and ploughs. For those who still had their own animals and means of production, the white landowners reduced the area which they were permitted to plough and restricted the number of animals which they were allowed to graze.

As white farmers intensified their commercial farming activities they altered the conditions offered to labour tenants. Grazing areas were reduced and eventually rules were laid down on the number of livestock which a labour tenant could keep. These rules effectively attacked the saving base of the labour tenants who were impoverished by the forced sale of animals at reportedly low prices.³⁵⁹ Labour tenants consistently lost their struggles to retain more favourable conditions. Eventually legislation limited the number of labour tenants permitted and, in later decades, they

challenge from African producers. The desire to reduce competition by peasant producers was one of the motives behind the Native Land Act."

³⁵⁷ *ibid*, citing Hurwitz 1957 *Agriculture in Natal 1860-1950*. Natal Regional Survey. OUP. p29 in 'and the Native Farm Labour Committee, 1939, p30.

³⁵⁸ *ibid* citing data from Neveling, C.H. 1931, 'Farm Labour in South Africa' in *Journal of the Economic Society of South Africa*. Vol.IV, Part 2.No.8.

³⁵⁹ Budlender, D. 1984, *South African Review Two*. "There first came the tractors and the big ploughs. The threshing machines came later. . . (People) were reduced as a result of those machines. They were rendered redundant because the machines had taken over. Ever since they started cultivating with tractors and cultivating wheat, they told us to sell our cattle."

faced expulsion. The out-migration from commercial farms is examined in greater detail below.

The continued existence of labour tenancy (even in a modified form) leads some historians to argue that capitalism in South African agriculture only dates from the 1960s.³⁶⁰ Contemporary interviews with old people who were labour tenants in the earlier decades of the twentieth century establish that they thought of themselves as peasant farmers rather than as workers.³⁶¹ But this subjective perception does not detract from the objective decline of labour tenant conditions as part of the process towards the entrenchment of capitalist relations of production.³⁶² Cross's observation that there is often a lag between changes in social practice and social thinking seems applicable here.³⁶³

The process of eliminating labour tenancy was regionally uneven and never fully achieved. But in an overall national perspective, the conditions for state supported white agrarian capitalism were firmly established by the 1920s.³⁶⁴ The demise of cash tenants, share croppers and labour tenants was part of the losing battle by Africans to retain land and resources and was integral to developing the dominance of white commercial agriculture. While some labour tenancy has continued it had minor overall significance. The main focus of my analysis therefore concentrates on the profile of black producers in the present bantustan areas.

³⁶⁰ Beinart. W, Delius. P, & S Trapido. 1986

³⁶¹ Keegan, T. 1988

³⁶² Morris, M. 1987, p.3.

³⁶³ Cross C, 1990, was referring to statements professing beliefs on tenancy which differ from actual tenurial practice.

³⁶⁴ Morris, 1976. p302-302. Morris combs through the debate on transitions towards capitalism in agriculture. He accepts that labour tenancy is generally understood as a labour form characteristic of a feudal mode of production. But for Morris South Africa's white agriculture was capitalist by the late 1920s in spite of the numerical dominance of labour tenants. Morris supports his views though an examination of the conditions of production of labour tenants. He finds that the majority were by this time dispossessed of their own means of production. He views the landlords' giving access to land, cultivation of labour tenants' land as well as some payment in kind as part of a multifaceted wage deal. He calls on Lenin to support his interpretation, " . . . Labour service. . . should be drawn into two types: 1) labour service that can only be performed by a peasant farmer who owns draught animals and implements . . . and 2) labour service that can be performed by a rural proletarian who has no implements . . . It is obvious that for both peasant and landlord, the first and the second type of labour are of opposite significance, and that the latter type constitutes a direct transition to capitalism, merging with it by a number of quite imperceptible transitions." Lenin, 1964, pp205-6, "The Development of Capitalism in Russia, Collected works, Volume 3", Lawrence and Wishart.

5.3. Migrancy, Employment, Land Use and Income Sources.

Migrancy is a dominant feature of the bantustan social structure; it both depletes household agricultural potential because of the withdrawal of labour and/or provides cash for farming inputs. In section (i) I review the tri-sectoral migration patterns between white rural areas, black "homelands" and the urban and industrial areas as well as rapidly escalating unemployment. I examine (ii) the phenomenon and paradox of land shortage and land unused. I compare (iii) the income sources (and their relative importance) of black households in the "homelands".

5.3.(i) Employment and migration.

Labour migration is common throughout Africa and in other parts of the world. It is often explained in terms of demand and supply in the labour market influenced by factors which facilitate or inhibit migration. The co-existence of centres of growth and peripheral areas of stagnation appear to be a generalised feature of capitalist development.³⁶⁵ The pattern in South Africa has been unique in that its system of institutionalised racism remains virtually intact. Racially selective legislation, such as the Group Areas Act and Urban Areas Act, inhibited free labour movement and influenced demographic settlement patterns right up to the end of the 20th Century. Additional state intervention in commercial agriculture also influenced rural demography; the state induced mechanisation process accelerated out-migration from commercial farms.

Table 5.1. Regional Analysis of black out-migration from the white rural areas. 1980-1985.

<u>Region</u>	<u>Net Outmigration</u>	<u>Drop in %p.a.</u> <u>Population.</u>
C. Orange Free State	220 000	2.4.
D. Eastern Cape	110 000	4.1.
E. Natal	530 000	8.9
F. Eastern Transvaal	400 000	5.4
G. Northern Transvaal	210 000	7.5
Others	140 000	
<u>TOTAL</u>	<u>1 610 000</u>	

Demographic studies indicate that the rural areas outside the homelands have been the main source of out-migration for the most recent

³⁶⁵ Webster, D. 1979 pp1-15.

period studied, 1980-1985.³⁶⁶ Net outmigration from these areas was 1.6 million in this period while net immigration into the metropolitan areas was 900 000. Metropolitan immigration includes (and does not distinguish between) those from homelands and white commercial farming areas.³⁶⁷ The "homelands" population in this period therefore increased as a result of natural population increase as well as immigration from white commercial farming areas. A significant portion of the outmigration from white rural areas resulted from apartheid policies. For example, 180 000 people in the Orange Free State were classified as "unemployed" and sent to Botshabelo - an arid, artificially-created almost refugee-type settlement area with no economic base now housing three quarters of a million people.

A longer retrospective examination of outmigration from the platteland indicates that in early 1950 35% of the black population lived in these areas. This was equivalent to the number of blacks living on the reserves. In 1985 this percentage had dropped to a low of 14% and is projected to be less than 10% by the year 2000.³⁶⁸

Three principal reasons are offered to explain the rapid pace of outmigration (a) labour displacing mechanisation actively encouraged by state subsidies (b) the eviction of rural black residents who did not have wage employment; these included labour tenants, sharecroppers as well as "black spot" freeholders and (c) the opportunities for better paid off-farm employment.

³⁶⁶ Simkins C, 1990, estimates the black rural population outside the homelands as 3.8 million in 1983 of which 3.4 million resided on the farms.

³⁶⁷ There were also migration flows within and between regions; in region D, the net immigration to Port Elizabeth was about 60 000 while there was an outmigration of about of about 120 000 from the region as a whole.

³⁶⁸ Urban Foundation Report 1990.

Table 5.2: Agricultural Wage Income of Black People on White Farms, 1970 - 1987.

Date	Total wages (R million)	Wages per regular & domestic worker (R/year) (1985 constant prices)
1970	788.2	858
1971	736.0	876
1972	768.2	961
1974	800.2	927
1975	859.9	1010
1976	866.2	1076
1978	890.6	1114
1979	905.2	1169
1980	876.7	1169
1981	878.8	1276
1983	903.5	1232
1985	924.2	1120
1986	895.5	1092
1987	811.0	1017

Source: Simkins C 1990, Table 3, derived from an analysis of Agricultural Censuses and Surveys.

Table 5.3 : Comparative sectoral increases in real wages 1972-83.

Sector	% increase in real wage
Agriculture	26
Mining	254
Manufacturing	65
Trade	21
Government and private service	52

Source: Simkins, C. 1990. derived from an analysis of SA statistics 1986.

The relatively large increase in mining wages can be attributed to the very low base from which mining started but more so, as the result of the successful wage struggles won by organised labour in mining. Agriculture compares better to the less organised trading sector, and up to 1983 the real wage gains (for the smaller number of workers in the sector) were on a par to the trading sector. But as Table 5.2. shows the real wage gains have since been lost and in 1987 wage levels were the same as in 1975.

While the white rural areas dominated the statistics for migration trends from the early 1970s to the mid-eighties, this trend has now declined and more recent figures indicate an absolute increase in commercial farm labour. Future migrants from rural to urban areas are expected to come

from the "homelands" The estimates also indicate that, while there will be steady out-migration from homeland areas, it will not outstrip population increase within these areas.³⁶⁹ Hence the current problems of overcrowding in the "homelands" will remain and even deteriorate unless alternative programmes are in place. Social research on poverty, migration and unemployment in homeland areas indicates that the levels of outmigration would be much higher if there were an expansion of employment opportunities but that "homelands" are regarded as a safer residual habitat than urban areas while unemployed.

South Africa's unemployment rate is increasing rapidly; micro studies in 1987 in KwaZulu indicate a 14% unemployment rate (of whom nearly 60 percent have some working experience); whereas more recent estimates show 35% and even up to 50% in some areas (of whom the majority have never had a job). Among the unemployed in the homelands 40% expressed a preference for urban work (68% of these respondents were women) whereas 56% said they really would take any job in any place.³⁷⁰

A review of the changes in annual increase of the labour force and average annual increase in employment opportunities estimated that 41,5 per cent of the potential work force does not have formal employment opportunities.³⁷¹ In 1985 total population was estimated as 33,3 million and is projected as 47,6 million for the year 2000 and 60 million by 2010. There is every indication that the unemployment problem will grow.

5.3. (ii) The paradox of land shortage and land unused.

Landlessness is commonplace and cannot simply be blamed on allocation problems. The bantustan population has increased both as a

³⁶⁹ *ibid.*

³⁷⁰ Researchers have had difficulty identifying "unemployment"; the unemployed may be identified as "willing and able to work" hence researchers have looked for evidence of an active job search to confirm such willingness. Field work interviews indicated that of a sample of adults of a working age but without jobs 53% had actively looked for work in the previous month. Of these 16% went to the nearest labour bureau, 58% directly canvassed potential employers thus using family funds for travelling and accommodation, 19% made enquiries through friends and relatives and 7% looked in newspapers. The 47% who had not sought work the previous month did not do so either because they thought their chances were too slight or because they lacked funds to undertake the search. Only a quarter of those not seeking work were satisfied; they had home commitments and did not want wage work for the time being. Mpanza, Z. and J Nattrass, 1987, pp45-46.

Mpanza, Z. and J Nattrass, 1987. pp45-46.

³⁷¹ Beukes, E. P. 1990 citing the Development Bank of Southern Africa.

result of basic demographic factors and because of forced removals.³⁷² Land availability per family and land quality have drastically declined and families can no longer produce as much of their food needs as they did previously especially since 1948. Studies of food production in the homelands from the 1870s indicate that surplus production ended by the 1890s.³⁷³ But according to Simkins, homeland production continued to provide about 50 per cent of food needs for the resident population up to the 1950s. By the end of the 1970s the reserves produced only about 10 per cent of food needs. This decline coincides with a growing level of unemployment. Retrenchment and lack of opportunities for youth have caused a crisis for many homeland families. Many families want access to more land to gain better levels of food security for their families.

However there is 'a strange phenomenon of unutilised land'.³⁷⁴ as a generalised feature of homeland agriculture. In KwaZulu, for example, Lenta, a rural researcher observed, "the outside observer is generally left puzzled" by arable land left uncultivated every year. Lenta cites KwaZulu Government Department of Agriculture and Forestry unpublished annual reports which record 80.5 per cent of arable land cultivated in 1965, 73 per cent in 1972 falling to 67 per cent for the 1978/79 agricultural season.

Explanations on why land is underutilised are manifold. For Low the principal reasons are tenure arrangements and the off-farm employment opportunities at relatively high wages.³⁷⁵ Others also blame the African land ethic as a contributory factor. Those families whose off farm income is sufficient to influence a reduction in their farming activities are inhibited to rent out their excess land because it would constitute an admission of having too much land. Furthermore if the lease extended over time, the traditional ethic would result in a transfer of ownership rights to the lessee. The registration of individual rights (as in freehold) is advocated to resolve this problem.³⁷⁶ However, as considerable percentages of freehold farmland owned by whites is also underutilised, freehold titling in itself is not the answer.³⁷⁷ Derman complements Low's analysis by his examination of the returns to labour, calculating that,³⁷⁸

³⁷² Surplus Peoples Project, 1985

³⁷³ Simkins, C. 1981

³⁷⁴ Lenta, G. 1981.

³⁷⁵ Low, A (1986)

³⁷⁶ Lyne, M C & W L Nienwoudt. (1991) p193-201.

³⁷⁷ Weiner, D. (1989.) pp10-14.

³⁷⁸ Behrman. 1981 cited by Lenta.

"the labour content involved in the cultivation of one hectare of maize is about 360 hours, if no tractor is available for work. Given a maize production cycle of 110 days, seven and a half working hours per day, seven days per week, for three and a half months a year would be required to cultivate two hectares of land under maize. . . .Comparatively few women who are, in effect, family heads can concentrate such a large amount of labour into such a short period of time."

With regard to returns to labour,

' . . . yields are low. According to the 1977 figures, the average yield in the cultivation of cereals in KwaZulu was five bags per hectare, the highest ever recorded for the area. This means that in 1977 the net return per hectare was about R35, or about nine cents per hour of labour expended and the equivalent of three hours labour for a loaf of bread.'

However opportunity costs, impediments to land rentals, low returns for labour input provide some of the reasons why land is not cultivated there appear to be other very significant reasons why households who actually would like to cultivate land fail to do so. Lenta, investigating the phenomenon of uncultivated so-called arable land, interviewed 130 families in five Kwazulu districts. His micro study indicates that families use off-farm income differently; some will use it to invest in farming, for others all funds are used up for food and education. Families who failed to cultivate land often had more than one reason; four major points emerged:.

(a) Eleven percent of respondents said their land was too rocky or the soil was too poor to make cultivation worthwhile. They questioned the classification of land. Lenta concludes that what, 'appears as the neglect of valuable land may be the rational refusal to use land for purposes for which it is unsuited.'³⁷⁹

(b) Thirty per cent of the respondents said that a shortage of labour was the main reason for uncultivated land. This reveals a second 'strange phenomena': a shortage of labour amid unemployment. Labour is not itself in short supply but families have no money to hire it. Their own labour, available for agricultural work after fulfilling other reproductive tasks, is insufficient to cultivate the land fully even though the plots are very small. Other ploholders are old and disabled and unable to work their land. Labour, in general, should be treated as an input to be bought in the same way as seed, fertiliser, oxen or tractors. In terms of disequilibrium models

the effective demand for labour is significantly different from the notional supply schedule.³⁸⁰

'Both my wife and I are too old for planting all this land; my children used to hire some labourers to plant the land, but this year they failed to do that.'

'I am all by myself; my children go to school; my husband is working in Durban, so I cannot plough all the land.'

'I plough part of the farm of my late brother as a precautionary measure against forfeiture of land, until my nephew returns from town to settle here.'

Many of the elderly see their role as safeguarding the cultivation rights of their children. For women the tasks of child-rearing and cooking are time consuming; they do not have a full working day available for cultivation. Families with migrant workers hold on to land as a fallback security and because of the uncertainty of permanent urban residence.

(c) A lack of money to buy farm inputs is the third major reason for not farming. Wages are the principal source of finance for farming inputs. Agricultural products grown are mainly for home consumption, and there is little, if any, farm income to finance the next planting. The prevailing and rising unemployment, which appears to increase time available for farming, actually diminishes the chances of a family cultivating its land. There are no credit facilities available and, if there were, a part of the produce would have to be sold, not eaten, to repay the loan.

'I have no money to hire a tractor or oxen; I spent my little money on school books, school fees and uniforms for the children.'

'My husband periodically sends R30 to cover all expenses at home, that is clothing, hospital fees, school fees and groceries. Eventually I am left with nothing for doing farming.' ³⁸¹

(d) For families who manage to solve their finance problems there are other obstacles to overcome. Even when there are funds to hire oxen and tractors there is competition for their hire at the time which is agriculturally most opportune for ploughing. Technological change is much further advanced than in neighbouring Southern African countries; any piece of land which is bigger than a kitchen garden is ploughed by donkeys, oxen or tractor. Preparing larger tracts of land with a hoe is unacceptable. As far back as 1877 there was one plough per 25 hectares; twenty years later it was one for every six hectares. Since the 1950s tractors

³⁸⁰ Lenta. 1981, pp36-37.

³⁸¹ *ibid.*

began to replace ox-drawn ploughs. But means of production are in short supply. Only 64% of households have both arable land, oxen and ploughs. Those without oxen, the poorer households, wait their turn and are forced to hire and plough later; the later sowing results in a lower productivity.

In general the co-existence of 'land shortage and land unused' is the result of a combination of low returns to labour, unsuitable land, a shortage of family labour, a lack of finance to purchase inputs and an absolute shortage of means of production. Access to land is not a panacea to fall back on when wage labour is not available. Without resources, support services and a ready access to market, land, whatever the quality, cannot be fully utilised. Extended family survival strategies currently often also involve access to a residential and arable site in a rural area as well as a residential site in urban areas to house the wage earning members of the family network.

5.3.(iii) The Relative Importance of Income Sources to Rural Residents

To assess the relative importance of different income sources a comparison can be made between migrant and commuter earnings, and the value of bantustan agricultural production. Cobbett, having done this, (See Appendix 2) concludes that agriculture is not economically important: 'Homeland' residents are agriculturally de-skilled and basically have the characteristics of a displaced urban people. The key issue, therefore, is urban settlement.

Moll examined in greater detail the composition of rural income based on a review of data from a number of micro-studies as in Table 5.4. 382

Table 5.4. The Composition of Rural Cash Income.

Area	Remit- tances	Pensions + transfer payments	Local jobs	Home enter- prises	Sales: cattle & produce
(%)	(%)	(%)	(%)	(%)	
1. Amatola Basin, Ciskei	33	26	-26-		15
2. Nkandla, KwaZulu	46	29	-25-		0
3. Mahlabatini, KwaZulu	59	24	7	6	4
4. Ntsiqo, Transkei	46	19	-34-		2
5. Transkei, rural areas	30	9	-58-		2
6. Transkei, all areas	34	8	-57-		0
7. Lower Roza, Transkei	36	19	28	17	0

Source Moll, T., 1988b Table 1. p351.

These figures indicate a degree of diversity in the source of cash income in the rural areas. In four situations Moll's statistics show that the value of subsistence production (i.e. on-farm consumption) is 32% of a mean off-farm income of R928 per year. In Lower Roza, however, the contribution of farm produce to total household income is as low as 8% with a total cash income of R1675 per year compared to R150 as the imputed value of on-farm consumption.

These differences between bantustans are considerable. The average family landholding of QwaQwa and KwaNdebele is more than double that of Lebowa and Gazankulu. Household farming is economically more significant in the Transkei and Venda (where it comprises up to thirty percent of household income) but almost irrelevant in KwaNdebele. The most recent computed average contribution of agriculture to household income is only ten percent.³⁸³ But questions can be raised on the accuracy of the figures. It is, for example, not clear how accurate the estimates are on the value of on-farm consumption. Furthermore, there is generally an inadequate assessment of the value of livestock to the family which depends on its varied use whether for meat and milk, as a capital good used for ploughing and transport, as a saving medium or as a trading item. Bromberger calculates cattle as giving a higher rate of return at 18,7

³⁸³ Cobbett, M, (1987) Table 3, p68.

percent than any bank saving investment option which might be locationally less conveniently available to rural communities.³⁸⁴ As a trading item cattle are still frequently used to fulfill dowry commitments.

The focus on arable land in black rural communities and some apparent underutilisation of this resource detracts from an appreciation of the role of grazing land as a more important and over-utilised resource for black rural communities. Household ownership of cattle is as high as 64% in some parts of KwaZulu and as low as 23% in Lebowa.³⁸⁵ Over 4,2 million cattle, more than a third of South Africa's cattle herd are to be found in the bantustans. The average number of cattle owned by these families is four, but ten percent of families have more than ten cattle each. It is estimated that, overall, half a million families in the homelands own cattle.

But even if we take into account the contribution of livestock to the black rural economy it remains incontestable that wage earning is the most important single factor in the black rural economy. At the same time we should not allow macro economic averages to obscure social dynamics and the importance of land to a family. For example, an urban/rural extended family with a homestead in Lebowa earned, on average, R2599 in 1984 i.e. R216 per month. In comparison to these wage earnings the R77 per year estimated value of agricultural household production seems irrelevant. But at such depressed standards of living and high unemployment, everything counts towards a family's survival strategy. Yawitch's interviews with Lebowan families support this view:³⁸⁶

" Lina is 55 years old and works the 0.85 Ha. plot harvesting 3 bags of maize cobs, some millet and some watermelon. Her son, aged 30, sends R40 per month. None of the other four family members has employment.

Sarah and her daughter, Agnes, live together and have R85 per month to live on. Sarah weaves grass mats and earns R20 per month. her daughter Agnes earns R60 per year through knitting work. Agnes's husband is away from home working at a garage. He sends R60 per month. They have three children. The normal daily diet is mealie porridge, a relish (sauce) of leaves and black tea."

Land impoverishment and landlessness increases the household's reliance on wage incomes. Families who receive remittances will use them for different purposes depending on their situation. For some families remittances will provide the basic income for reproduction; for others the remittance will allow for savings for investment in agriculture or small

³⁸⁴ Bromberger, N, (1987) p60.

³⁸⁵ May, J (1992) p10.

³⁸⁶ Yawitch, J. 1982

scale rural business activities. Hence the better off members of the rural community are often those with the most secure remittance base. At the most impoverished end of the rural spectrum families experience severe deprivation and every opportunity to get food is vital. Remittances are often small and irregular and in a month when the remittance does not arrive agriculture assumes an importance which is obscured by any yearly averaging of its money value contribution to the household economy.

As the following table shows it is the poorest families with the least significant proportion of bantustan agricultural production who are most dependant on their meagre produce.

Table 5.5. Composition of Total Annual Household Income by Income Group.

Income Groups	Wages + Remittan- -ces (- in mean rand per annum)	Pensions + trans- fers	Peasant Produc- tion	Miscel- laneous	Total Annual Income
Poor 20%	308	155	192	71	626
Poor 40%	539	178	114	100	931
Richer 20%	5288	447	428	723	6886
Richer 5%	9331	503	671	781	11286

Source: May (1987) Table 4, p22.

The richest 5% of the sample produced more than seven times the value of the poorest twenty percent. However the R671 worth of produce of the richest 5% also represents only 5,9% of their total income against roughly 30% for the poorest 20%..

5.4. Defining rural producers: the contemporary debate

Deere and De Janvry express dissatisfaction with existing theoretical approaches to analysing the peasantry. They also reject the Chayanovian approach in which the changing household profile (from young married adults to middle aged adults with mature children to old aged survivors) is a key element in the analyses of rural differentiation. Their work predates that of Bernstein, Neocosmos et al who strangely do not refer to it since, though it relates specifically to Latin America, it focusses on rural economies (such as those in Southern Africa) where outmigration to, and cash remittances from, urban areas is common. Their view of the peasantry is that of an oscillating and "transitory social stratum under capitalism" whose transition may be protracted and whose numbers may temporarily increase. Deere and De Janvry recognise that as an overview "these peasants differentiate and are reproduced increasingly as wage workers:

the majority lose their status as producers of commodities while attempting to maintain that of use values as a necessary complement to wage earnings in insuring household subsistence."

Deere and De Janvry's "Conceptual Framework for the Empirical Analysis of Peasants" draws upon Marx's categories of production, circulation, reproduction and differentiation illustrated figuratively as a flow.³⁸⁷ The starting point of the analysis is of the organisation of the peasant household, the registration of its "stocks of means of production" which comprise land and water, means of work (tools and biochemical inputs) and the composite family labour power. Household labour may then be used in the home, sold as wage labour or the household may hire wage labour. Subsequently, household production may be consumed (as a use value by the household) or sold on the market as a commodity. The income generated from sales plus the income from wage labour provides the net income which may be used, for consumption, for replacement of tools to secure reproduction or for accumulation for investment purposes.

Deere and de Janvry, studying the Cajamarca region of Peru, analyse the stocks of the means of production of 1,050 households. In contrast to Patnaik's approach (wherein scale is not necessarily a good indicator) they categorise class on the basis of size of land holding. And in their categorisation they immediately adopt the nomenclature of "landless peasants, smallholders, middle peasants, rich peasants, and farmers". I find the retention of peasant nomenclature disappointing as it deflects understanding from the considerable impact of proletarianisation on the rural economy. Further limitations of this household categorisation becomes self-evident when Deere and de Janvry disaggregate household activity (agricultural activity, animal care, artisanal work, reproduction work, commerce, hiring out of labour) between the mother, the father and the children (unfortunately the data do not indicate the hiring of labour). At least one member of the majority of landless and small holder households is a wage earner. It is misleading to describe these people as "subsistence producers" when "over 80% of the total gross income of the landless and small holder strata is monetary income derived from sale of labour and sale of produce."

Patnaik's methodological approach to analysing and identifying classes within the peasantry includes a consideration of hired labour.³⁸⁸

³⁸⁷ Deere C D & De Janvry A, 1979, p.603.

³⁸⁸ Patnaik. 1988. pp301-333.

This is an important element to her in analysing social relations of production and thus classifying people. She argues for an interconnected analysis of components of the production process, land, capital and labour. Land, as an indicator by itself, can confuse rather than clarify if no distinction is made in relation to the different quality of land, whether it is irrigated or not and the method of production. Patnaik designs a "labour exploitation index" as a means of "capturing" the class status of a household "essentially by looking at the extent of use of outside labour or conversely the extent of the family working for others, relative to the extent of self employment. The index is calculated as follows:³⁸⁹

$$E = X/Y = \frac{(H_i - H_o)}{F} = \frac{(L_o - L_i)}{F}$$

where:

H_i = Labour-days hired on the operational holding of the household

H_o = Family labour days hired out to others

L_i = Labour days worked on leased in land (whether by family or hired labour)

L_o = Labour days similarly worked on land leased out by household

F = Labour days worked by household workers on the operational holding.

Thus peasant families are classified into rich, middle, small and poor (widows and orphans). The methodology permits a consistent treatment of time series data and hence the identification of trends of change in the differentiation pattern. The method applied to data on Haryana indicates a continuing development of capitalist agrarian relations which manifests classic tendencies of displacement, increasing land concentration and an increase in the percentage of the labour force working as agricultural labourers. The methodology assists the analysis of power relations in society and illuminates the changing class structure as agrarian capitalism proceeds.

Bernstein, however, suggests that this methodological approach is inadequate as a means of addressing the social formation of the "Third World". He draws attention to the prevalence and continuity of petty commodity producers, (PCPs) "a phenomenal category of commodity producers who possess the means of production necessary to produce commodities, and who engage in production on the basis of unpaid household labour alone"³⁹⁰; differentiation may then occur in either direction PCPs become capitalists or wage workers. Bernstein considers that certain common positions whether inherited from evolutionary variants of Marxism, or created from a critique of the evolutionary tradition (typically

³⁸⁹ *ibid.*, p.304.

³⁹⁰ Gibbon and Neocosmos. 1985, p.170.

in a Third Worldist framework), have held back understanding of the prevalence and nature of petty commodity production in the conditions of contemporary capitalism. The common positions (which lead to this deficiency) are as follows:

- (1) the idea that PCP is a transitional category within capitalism;
- (2) the assumption that PCP necessarily disappears in the course of capitalist development (the 'linear proletarianisation' thesis);
- (3) the assimilation of the specificities of PCP into encompassing notions of non-wage labour under capitalism (the 'peasants and housewives thesis');
- (4) functionalist explanations of PCP (and non-wage labour more generally) as productive of 'cheap' labour power and other commodities that 'subsidise' capital accumulation;
- (5) the assumption that small commodity producers are 'exploited' by capital;
- (6) any necessary association of PCP with 'subsistence' (use value) production.

Bernstein provides an exposition of Gibbon and Neocosmos' paper on the generation of petty commodity production and the implications of their argument. Their fundamental take off point is their identification of and distinction between the essential relations of capitalism (capital and wage labour) and the phenomena that it produces (wages, prices, profit, the state and so on). The essential, argues Bernstein, is "systematically obscured" by the phenomena which include, "gender relations; the division between town and countryside, the division of labour between agriculture and industry as well as continuing notions of 'family', 'kinship', the 'household', 'domestic production'³⁹¹ Gibbon and Neocosmos emphasise capital rather than labour in their characterisation of PCP as "petty capitalist enterprise" or petty bourgeois capitalist enterprise.' This emphasis on capital rather than labour is consistent with their dismissal of the view that small scale commodity producers often operate as disguised proletarians. But furthermore Gibbon and Neocosmos differentiate the class positions of members of a single household rather than categorising the household as one entity. They suggest that "patriarchal heads of households may represent more the class place of capital, and women and children more the class place of labour, indicating one channel of exploitation and possible accumulation."³⁹² Concepts of "kinship" "family" and "self-exploitation"

³⁹¹ Bernstein, H. 1988, p261.

³⁹² *ibid.* p.266.

become more complex when gender and individuals' economic inter-relationship within the family structure are considered. Furthermore savings from wage work may provide the accumulation fund to expand PCP rather than indicate the PCP's inability to provide a living and hence the path to semi-proletarianisation.

The Bernstein, Gibbon and Neocosmos proposals are rich in providing provisos and qualifiers to schematic approaches to class analysis (grounded in ownership of land and means of production and hiring in and out of labour). Their commentaries provide a critical basis and emphasise the need for a better analytical approach to the continuing phenomenon of peasantry as petty commodity producers within capitalist economies. But they do not offer an alternative methodological approach which can be applied to empirical data in order to group agricultural households. And because they fail to provide this alternative, their subsequent analyses and that of their followers resulted in some confusing class analysis as will be discussed in relation to South Africa below.

5.5 Divergent Approaches to South African Rural Class Analysis .

Disaggregation is essential to draw up policy which is responsive to social dynamics. Mozambican policy-makers' failure to analyse class differentiation in the Mozambican countryside and the integration of the peasantry into the capitalist economy led them to make mistaken assumptions about "subsistence" producers.³⁹³

There are obvious differences amongst the South African 'homelands'. The family average landholding of QwaQwa and KwaNdebele is more than double than that of Lebowa and Gazankulu. Household farming is comparatively more economically significant in the Transkei and Venda but almost irrelevant in KwaNdebele and QwaQwa. That there may be more 'peasants' in the Transkei than KwaNdebele is open to speculation and an analytical disaggregating framework is required to substantiate the assertion.

But class analysis, if it is to assist policy making, must itself be accurate. On this count Levin and Neocosmos criticise the class analysis

³⁹³ There was a gross failure on the part of policy makers to estimate the needs of the peasantry even in terms of items such as hoes, radio batteries which eventually contributed to peasants reducing the marketed output or illegally selling produce across borders.

presented by Lipton³⁹⁴ and Innes and O'Meara³⁹⁵ because the latter are said to conceive of the African population in the "homelands" incorrectly as a mass of 'linear proletarianised', semi-proletarianised people.³⁹⁶

Innes and O'Meara, researching in the Transkei, found that while 91,6 per cent of their household sample still cultivated some land, 60 per cent of all families were primarily dependent on the sale of their labour-power. Among the farming households only 0.1 per cent produced exclusively for the market and only 8.5 per cent had any extra, after home consumption, for sale. They concluded that the mass of the population in the Transkei had been proletarianised and semi-proletarianised.³⁹⁷

Levin and Neocosmos take Innes and O'Meara's work and reinterpret the data. They use a different analytical framework; the 'destiny-of-product' as the major differentiating criterion. Table 4.7 shows the different interpretation of the same data:

³⁹⁴ Lipton, M. 1986

³⁹⁵ Innes and O'Meara, 1976

³⁹⁶ Levin & Neocosmos, 1987.

³⁹⁷ Innes and O'Meara *ibid.*

Table 5.6. Class Analysis: Common data and Divergent Interpretation.1976: Innes and O'Meara'sOriginal Study1987: Levin & NeocosmosReinterpretation.

60% dependent on wages
of whom

8.4% have no production

8,4 + 51,6 =

51.6% have some production

60% semi-proletarians

91,6 have agricultural
production of whom:

0,1% for commercial sale only
and

0,1% + 8,4 =

8,4% for home use and sale
and

8,5% upper middle and
rich peasantry

83,1% consume all produce.

83,1 - 51,6 =

31,5 lower middle peasantry.

Conclusion: extensive proletar-
ianisation, small class of
collaborationist bourgeoisie

Conclusion: 40% differentiated
peasantry, 60% proletarianisa-
-tion.

Neither of the above is offering an analysis of social relations of production based on the scale of operations, the means of production and employment of or by others. Levin and Neocosmos use a division of lower middle, upper middle and rich peasants depending whether or not produce is all eaten at home and, if eaten, whether it is enough to secure independence from wage income. Thus a commercial producer is classified as a rich peasant. The 8.4% who can eat produce and not depend on wages are named upper middle and rich peasants. Of the remaining 83.1% who cultivate land 51.6% stated their primary dependence on wages. Thus, Levin and Neocosmos conclude there must be 31.5% who produce enough to eat but who do not sell anything; these are lower middle peasantry. In trying to correct a tendency which lumps people together as (semi) proletarians Levin and Neocosmos appear to over-react and exaggerate (at least on the basis of the used data) the continuity and size of a peasantry and the extent of its differentiation.

Even so the criteria used in earlier Marxist methodological analysis such as land area, ownership of means of production and hiring of labour require qualification in a migrant society. Field-work by James³⁹⁸ and Lenta suggest that those families with a high level of remittances from migrant workers are those who can make the most out of their land. Thus the families with the most (skilled) workers, the most proletarianised, are likely to be among Levin & Neocosmos's 8.4% who sell produce as well as consuming a part. It seems incongruous to classify them as upper middle peasants. Neither should hire of labour or sale of produce in themselves immediately lead to an upper middle peasantry classification. Many single parent families³⁹⁹ and ailing old folk on the edge of malnutrition, who if they get a little money, occasionally pay for some help on their small plot if they can raise a little money, or enter into sharecropping arrangements. It would be absurd to include them as upper middle peasants.

Levin and Neocosmos' strength lies in their reasoning as to why differentiation should be explored and not glossed over by broad definitions such as "semi-proletarians". They stress the importance of analysing incipient class differentiation for identifying appropriate policy and as a 'necessary prerequisite' if "principled alliances" are to be formed in the class struggle. The weakness of Levin and Neocosmos's work is precisely their choice of analytical criteria (eg. the destiny of produce as a determinant) and subsequent classification. They far too readily classify sections of 'homeland' population as upper middle and lower peasantry. It is improbable that the "landless-currently-unemployed youth or the redundant worker shifted to a homeland from an urban area would regard themselves as members of the "poor peasantry".

However, Levin and Neocosmos's thesis, that there exists a substantially larger peasantry than the Innes and O'Meara proletarianisation interpretation would have us believe, is probably correct. This would be especially true in relation to women. Academic work discussing South Africa peasantry and its proletarianisation due to migrant work is usually gender biased towards men.⁴⁰⁰ But until further substantiated by more detailed analyses which address the issues of ownership of means of production, hiring of labour and gender, we should treat Levin and Neocosmos's claims of the extent and definition of differentiation of "the peasantry" with circumspection.

³⁹⁸ James, D. 1985

³⁹⁹ See field interviews by Yawitch 1982

⁴⁰⁰ Wolpe and Innes and O'Meara's work is no exception.

More recent field studies underline the different gender roles.⁴⁰¹ Women have become managers of rural resources. Young unemployed men are often in crisis as there is no social role for 'would-be-migrants' in the household. Removals from 'white' farming areas and urban areas have greatly increased the percentage of landless residents.

5.6. A proposal for an alternative analytical methodology

While class analysis holds the key to correct policy considerations, there is in my submission no existing satisfactory migrant, rural/urban, gender-qualified class categorisation of South Africa's rural areas (which straddles the tandem urban/rural family) which would enable us to categorise analytically the class composition of the society in which land reform will take place. Patnaik's labour exploitation index and her table⁴⁰² which defines the characteristics of different classes requires modification if it is to be useful to an analysis of South African reality.

In my review of the attempts to provide a class analysis of the social structure of South Africa's rural areas I have emphasised that the theoretical framework must take cognisance of (a) the source of agricultural financing which may frequently be off-farm income, mostly remittances from a migrant member of the household unit, (b) the context in which labour is hired or sharecropping takes place to avoid a mechanistic categorisation as upper middle peasants of the elderly poor or infirm, who get access to some produce from their land through sharecropping or using remittances to hire labour, and (c) the relative importance of agricultural production vis-a-vis other income sources to the household income as a whole.

Without these considerations serious analytical errors could be made. A peasant emphasis which categorises families merely because they produce marketable surpluses as middle or upper peasants might be flawed for the following reasons: upon an examination of the source of finance or the nature of the commercialised produce we may, in any case, discover (a) it is those families with the strongest migrant worker base who have sufficient levels of remittances to invest in agriculture. It is therefore wrong to categorise them as upper peasants since the source of income comes only minimally from agriculture and (b) that a person with small

⁴⁰¹ James, 1985. Richkin, 1987, Clarke et al, 1975

⁴⁰² Patnaik, 1988, p.322

piece of land (eg. 0,5 hectares) may market the entire crop. But it is very often not a surplus; in fact the household may be living below the poverty datum line but funds are needed to pay for basic necessities.

The information required for class categorisation of rural residents in a migrant society needs therefore to include data on:

(i) Access to land (ownership or tenancy), its quantity, quality and whether it is irrigated.

(ii) The source(s) of production credit i.e.. Is agriculture financed out of the sales of last season's produce, or through off-farm income or by a corporation in the case of an agribusiness contract. If there are multiple financing sources, what is their relative importance.

(iii) Access to means of production: hoes, oxen, ploughs, donkeys, tractors and so on (and the means by which these acquisitions were financed).

(iv) The hiring in and out of labour by the household unit. In terms of hiring out the relative importance of the wage income to the overall household income should be identified. In terms of hiring in labour, establishing its relative importance to overall production.

(v) The quantity of output and the end use of the produce or income derived from its sale (i.e.. cotton sold for cash which is used to buy basic food supply cannot be classified as surplus production) whether it is for basic needs only, includes financing the next seasons' inputs or saving for capital investment.

While class formation is an ongoing dynamic and oscillation occurs it is possible to distinguish 3 broad categories of rural dwellers which have a bearing on our discussion of class formation and land reform. The first group which may be conceived as the proletarianised rural dwellers includes (a) the landless unemployed, (b) landless seasonal workers, (c) subsistence, mainly female headed households with access to a plot but dependent on wage income, (d) subsisting contract farmers ⁴⁰³(e) permanent farm workers. The second group is the worker-peasant group which is the most oscillating in both its potential and in its aspirations. It includes (f) those permanent farm workers who aspire to own land through

⁴⁰³ May J, 1987, has micro defined this group in the following way (a) the simple commodity producer - able to farm, although engaged in wage labour, (b) the prolo-peasantry/peasantariat- the archetypal migrant labourer, unable to farm effectively, but unable to forsake agriculture as a last resort. (c) the lumpen-peasantariat-the marginalised and poor, relying upon transfers, charity and on other survival strategies.

land reform, (g) contract farmers, (h) labour tenants. The third group, which display most potential as entrepreneurs includes (i) those labour tenants who hire significant amounts of labour (j) entrepreneurial worker-peasant families, (k) rural entrepreneurs. Finally the following groups would expect to re-establish their rural entrepreneurial base (k) dispossessed freeholders who expect reparation, compensation to enable them to begin farming afresh, (l) communities with historical land claims who expect to expand their productive base in the future (m) entrepreneurial out-growers. The following tabulation indicates the groups and potential oscillation between classes.

1	2	3
Ia. Landless Unemployed		
Ib. Landless/seasonal workers		
Ic. Subsistence(female) units		
Id.-----Permanent farm workers-----2f.		
Ie. -----Contract/Out-grower-----2g		
	2h.-- Labour tenants	-3i
		3j.Worker-peasants
		3k.Entrepreneurs
		3l.Ex-freeholders
		3m.Historical -
		Community claims
<u>"Peasantariat"</u>	<u>Aspirant</u> <u>Middle peasants</u>	<u>Aspirant</u> <u>Entrepreneurs</u>

These categories of rural residents can be more fully described to indicate the dominant nature of the household and its aspirations vis a vis land redistribution:

1(a) the landless unemployed: men and women who have been consigned to bantustans as the result of urban removals and and/or industrial retrenchment. They do not have land. They depend for their very survival on money sent to them by migrant family members who have wage employment. Many seek seasonal agricultural employment. Their current proletarian status, as having nothing to sell but their labour power, does not preclude what Levin and Neocosmos term as petty bourgeois aspiration to own land and work it themselves. They are an oscillating group who will take either an agricultural (wage or self employed) or industrial opportunity to obtain an income; their priority is survival and reproduction.

1(b) landless-seasonal farm workers, mainly women: these have been consigned to bantustans as a result of labour displacement on white

commercial farms. Many of these women, and their men, may have been sharecroppers in the past especially in the grain areas of the Transvaal and Orange Free State. Now they may have a dwelling in the bantustans as their formal place of residence; they are itinerant and move from one farm and region to another as the seasons progress and take whatever jobs are on offer.

1(c) subsistence, mainly female headed households who have access to plots but who depend mainly on the earnings of (mostly male) migrants. They grow small quantities of maize and pumpkin, gather leaves for relish; produce which is very important because the families are so poor. Sometime these families cannot use all the land they have because they cannot pay for ploughing, nor do they have enough money for seeds and fertiliser or, in the case of the elderly, the strength to till for themselves or the money to pay anyone else. Widows, from within this grouping, often enter into sharecropping arrangements with other families.⁴⁰⁴ There are also women commuters, often single parents, who work in town, leaving their children in care in the rural areas returning on occasional weekends. Apartheid and migrancy have contributed to unusually high rates of social breakdown. Clarke and Ngobese identify single parent women as a socially marginalised but quantitatively significant grouping who need special consideration in policy formulation.

These three categories (belonging to Group I) are numerous in an South African economy in which almost half of the 15-35 age group (the majority of the total population) do not have jobs and for whom social crisis is a daily reality. I define these three categories, for whom the rural areas are still the major nexus of their lives, as a peasantariat. Peasantariat confers to this group an oscillating status - a group which will move according to opportunities. It is even less stable than the peasant-worker group whose larger agricultural investment gives them a larger material stake in the rural areas. These groups have been elsewhere categorised as 'displaced urban' people. It is said that many of these people would have probably moved to town if not for apartheid legislation and indeed are now doing so. This view assumes that the women will relinquish their independent status and face the probability of urban unemployment.

The following four categories all have considerable arable farming experience on land which they consider to be their own - but with

⁴⁰⁴ Rick de Satge, formerly with the EDA (Environment Development Agency) recounting field work experience in Herschel district. personal communication.

differing levels of autonomy and different expectations from a new government's land redistribution policy:

1(d) and 2(f) permanent farm workers: mostly men (agricultural proletariat): these are mainly on-farm residents. Their housing is tied to their job and very few workers belong to unions. The past experience of permanent farm workers gives rise to varying aspirations. Some workers on Western Cape fruit farms have stated that they do not aspire to land redistribution or even, at present, a worker-managed farm; their demands are Housing security (the right to a domicile that is not tied to the job), the right to unionise, the right to equal pay for equal work to replace the racially based wage differentials which are the norm at present.⁴⁰⁵ However regional analysis is required; other permanent farm workers, especially from grain areas in the Transvaal and Orange Free State come from a share-cropping or labour tenancy background from the same farm or farming area where they are now classified as farm workers. Some of these workers may well aspire to farm commercially if they can get access to land as well as credits and marketing.

1(e) and 2(g) contract-workers or "out-growers": agribusiness has actively introduced out-growers schemes in some areas of the bantustans. There are, for example, now 30000 sugar growers whereas there were none a few years ago. The out-grower uses his or her own land within the allocated tribal areas. The company provides support for a certain product and no other. This restricted assistance for only one crop has led to accusations that it is analogous to the system of forced cropping which took place during the colonial period in neighbouring states. The out-grower has very little decision making power; the agribusiness provides a contract which is often not fully understood.⁴⁰⁶ The out-grower delivers the product and is credited after the firm has subtracted all repayments. The outgrowing experience of sugar producers again requires regional analysis as it is heterogeneous. In KwaNgane entrepreneurs on land areas of 7 to 35 hectares manage their own businesses. In KwaZulu individual farm areas are smaller and the out-grower provides mostly labour and acts as a contractee rather than as an independent farmer. In other 'bantustans' eg..

⁴⁰⁵ Author's interview notes, Anglo American Stellenbosch wine farm June 1990. Workers are bitter about racism in the workplace: there is an enormous difference in remuneration between a white and black foreman in terms of salary, type of accommodation and benefits package

⁴⁰⁶ Vaughan A, author's interview notes, February, 1991. She has been researching in Natal black sugar growing areas for the last few years says that many growers do not understand the small print of the contract - they do not understand interest rate (as well as its variability) on their loan for inputs etc.

the Transkei, systems of contract farming for maize production have been introduced in so called cooperatives.⁴⁰⁷ Each producer has a piece of land within the "co-operative" but the organisation of production is completely out of his or her control. The company determines the crop, the inputs, the commercialisation policy of the produce and it is even forbidden to harvest mealie cobs for home consumption. But the 'peasant' is responsible for any debts incurred. In this situation the farmer appears to be more of a 'contract worker' than a peasant.

2(h) and 3(i) labour tenants: tens of thousands of families have lived in the "white" rural areas for generations under legal contracts in the South Eastern Transvaal, Northern Natal and parts of the Orange Free State.⁴⁰⁸ Labour tenants secure access (for themselves and their family) to a portion of farmland in exchange for work, most commonly for six months of the year. Generally a fit and able male family member will fulfill the labour contract while the remaining family members work the family fields; many own cattle, oxen and ploughs. When classic style labour tenancy was legislated against, farmers began to pay nominal wages, so low that, "It is now common for the members of an extended family to contribute to the "wages" of the person, who by working for the farmer, secures the family's right to remain on the farm."⁴⁰⁹ Labour tenants claim a birthright to the land on which their families have lived and worked for generations in contrast to the transient white legal owners whom they have endowed with an African character title as "the ones who come and go".

3(j) entrepreneurial worker-peasant families: these are families who have substantial wage earnings which they invest in their base in the black rural economy to develop their farming activities. They buy oxen, plough their land and may even employ people to help with weeding and harvesting. If they do not have access to enough land in their own right under communal or trust tenure they will look for borrowing, cash rental or sharecropping arrangements. These families usually gain their relative economic well-being precisely because they have family members who have skilled work in better paid urban jobs. It is these off-farm wages which have permitted the family to develop agricultural activities.

⁴⁰⁷ James, 1985

⁴⁰⁸ Claassens, A (1989) Section 2.2. Struggles without title deeds: Non-landowners."

⁴⁰⁹ Claassens, A. (1988) p.5.

3(k) rural entrepreneurs: These are very often chiefs or family members of chiefs who have had the opportunity of better education and they have jobs within the bantustan bureaucracies. They have often benefitted from apartheid corrupt bureaucracy by receiving favours in land allocation (especially in the areas where the state purchased land for expanding the bantustan areas).⁴¹⁰ Many have (as members of or related to members of the bureaucratic bourgeoisie) also gained access to funds for "small business development". They own up to tens of hectares of land, tractors, oxen, ploughs and are often traders owning grinding mills, pick-up trucks, cafés (small shops) as well as brick making ventures.

Two more categories are identifiable not because of current class position but because they have shared the same historical experience. This leads them to aim for the same objective i.e. to re-establish their entrepreneurial base. They are:

3(l) dispossessed ex-freeholders: these are mainly people who were removed from "blackspots" who expect to repossess their land in a post apartheid South Africa. While this is a distinct political group its class character is not clear. Removal from the land often went hand in hand with dispossession of means of production.

3(m) claimants from dispossessed communities: many producers on communal lands actually farm on areas which were severely reduced by land dispossession. Namaqualand pastoralists fall into this category. Again while one can identify a common interest because of a common historical experience the "community" is itself differentiated.

The diversity of the rural areas indicates the likelihood of differing claims and aspirations. Some aspire to the right to own and farm land or to get more farm land than they have at the moment. Fifty per cent of people in one Kwazulu study said they would like to move to urban areas; fifty per

⁴¹⁰ The Ciskei government requested a "development plan" for Mpofu, an area formerly part of - but then purchased to be added on to the Ciskei. The government request stated that some three hundred farms covering several thousand hectares should be subject to a comprehensive plan for large scale entrepreneurs - the land had been allocated for subsidised purchase by black entrepreneurs through the Ciskei government (subsidised because the incumbents are to pay a minor proportion of the price paid by the white state to the outgoing white farmers. Some mention was made of farm squatters which the Ciskeian government state it was prepared to remove. A preliminary socio-economic survey has shown these farms to be people with literally thousands of labour tenants who have farmed for generations.

cent wanted more land of their own.⁴¹¹ In Namaqualand⁴¹², many residents want to expand the boundaries of the reserves to include land they claim was usurped from them decades ago. The presence of three generations of white farming families has not modified their attitudes. For some farm labourers better working conditions and different managerial practices are the prime concern.⁴¹³ For others the demand is to live as a united family at the site of industrial employment. Some migrant workers, employed in the mines all their lives, have stated their wish for a family homestead with land in the rural areas. For the unemployed, the overriding concern may be access to work whether industrial or agricultural, as employee or self employed. Class differences within rural communities and diverse historical experience call for policies which are responsive to differing demands. Men and women's varied experience may lead to different aspirations even within families.

African producers in the bantustans have faced many constraints in the organisation of their production. Migrancy has greatly affected family structure and remittances from wage employment are the mainstay of a rural household. The twentieth century has been dynamic in terms of economic growth, class formation, population increase and political struggles. In 1991 South Africa appears on the threshold of a major political transformation. Sections of the liberation movement understand black repossession of now white owned land as part and parcel of regaining black sovereignty and nationhood. But migrancy, proletarianisation, landlessness and unemployment have severed or weakened rural ties. The political demand for land reform takes place in a context which has changed radically as has land use and tenancy conditions. The paradox of a unused land in a labour surplus situation has been reviewed here and the relative importance of wage earners' remittances and agricultural production analysed. This led to a discussion on class differentiation and the differing experience of men and women due to male migrancy. Such an analysis may indicate what can be expected in terms of peoples' demand for land arising from their class position. It has been proposed that land should not be redistributed to individuals, because it may create a rural petty bourgeoisie who are inherently conservative in their political consciousness as well as the fact that land resettlement of this nature simply realigns the conditions of agrarian capitalist development.⁴¹⁴

⁴¹¹ Studies carried out by the Rural Urban Studies Unit, University of Natal, Durban.

⁴¹² Surplus People's Project, 1989, pl.

⁴¹³ Hamman, J., 1990, p.10

⁴¹⁴ Krickler, J., 1987.

Ultimately land reform is a political demand and the landless unemployed, the agriculturally de-skilled, the displaced urban people who currently still live in the closer settlements of the bantustans may decide that access to land for agricultural production is the only possibility they see for themselves. Later, cooperation, may also be recognised as a survival strategy option. The necessity for policy flexibility according to class, aspiration and feasibility is noted and will be explored further in Chapter 7. Moreover the land redistribution and agrarian reform in a unitary South Africa requires some further consideration on the coexistence or modification of the tenorial conditions of agricultural land, its marketability and, significantly, the differential racial access to capital and skills which is the apartheid inheritance. These are the topics to be pursued in the next chapters.

Chapter 6. Differentiation, Scale and Productivity.

Chapter two examined the economic theory of land rent and land valuation. Two features with implications for South Africa need to be elaborated. Firstly, the discussions assume a capitalist framework in which agricultural land tenure is based on marketable freehold. Secondly, there is an assumption of a general average rate of profit operating across the sector based on a prevailing average production function. At the level of the individual entrepreneur, technical innovation, excellent management and so on does, of course, permit higher profit levels temporarily until a new social norm is established. Conversely, entrepreneurs failing to achieve the average rate of profit will be squeezed out of the sector. But the principal assumption is that there is, at a given moment, a prevailing norm of average profitability. Chapters 3, 4 and 5, however, have described racially separate land markets, diverse and co-existing forms of tenure, class differences among black rural residents as well as considerable stratification among white commercial producers. All this, uniquely in the case of South Africa, detracts from the operation of the economic law relating to average rate of production.

Capitalist agricultural development in the northern hemisphere has resulted in ever increasing scale of units both in terms of physical size and capital investment. There is a tendency to believe in the superior efficiency of these productive units which is partly attributed to scale economies. In the southern hemisphere a large scale commercial sector co-exists with a small scale petty commodity production. In these circumstances there are two divergent approaches to the consequences of land reform for productive efficiency. One approach cautions against radical redistribution because it will reduce the number of large scale producers and lead to efficiency loss; the other approach maintains that redistribution will lead to output increases because land reform beneficiaries would operate their smaller scale units more intensively.

In this chapter I focus on the debate on scale and productivity. I consider the production functions of black and white producers which will provide, in Chapter 7, the basis for linking the issues of differentiation, productivity, land valuation and land redistribution.

6.1. The debate over productivity in relation to land reform.

As stated above an examination of scale and choice of technology has a bearing on impending land reform prospects in South Africa. One of the arguments advanced against the implementation of land reform derives from the belief that large scale mechanised production using high yielding technology is far superior to small scale production. Hence any benefits deriving from redistribution have to be weighed against the costs to the economy of a fall in productivity and efficiency. This point of view was strongly argued to caution against extensive land reform in Zimbabwe.

The protagonists of this approach assume that in different sectors of the farming economy (grain growing, livestock production, wool, fruit and so on) there is a minimum efficient size which permits the use of the most competitive production technology and a maximum realisation of its scale economies.⁴¹⁵ Hence a land reform should aim for a land redistribution only to beneficiaries with access to capital based on the principal of minimum efficient size. (m.e.s.) It is argued that a land reform which creates farms below m.e.s. may be a pointless exercise in the longer term. If a minimum efficient scale exists there will be economic pressure for land reform beneficiaries operating below this scale to go out of production. Within a capitalist framework, the ongoing process of differentiation will ensure that the poorest marginal sector will once again tend to lose its land through bankruptcy or sale of the assets due to economic desperation.

However many protagonists supporting land reform argue that "small can be just as productive"⁴¹⁶ They maintain that while land reform may be a necessary part of black struggle for sovereignty and self determination it can, at the same time, even increase the country's overall agricultural production. They draw support for their position from the work of Lipton and Sen and cite instances, in South Africa, of small scale producers achieving production yields which are comparable with those of large scale white commercial farmers.

In this section I examine more closely both the issue of economies of scale in commercial farming and the proposition that small scale producers

⁴¹⁵ Moll, P. 1988

⁴¹⁶ Urban Foundation (1990), Christodoulou, N.T. and N. Vink (1990) of the DBSA (Development Bank of Southern Africa) in South Africa; as well as a range of "development" economists and social scientists: de Janvry (1981), Lipton M, (1977), Prosterman R L (1987) Binswanger and Elgin (1990).

can achieve comparably high yields. I draw both on South African materials and comparative data from other countries. I conclude that the proposition that small-scale can be just as productive is questionable and that it therefore provides a dubious rationale for a development strategy. At the same time the work on economies of scale in capitalist production establishes that after the minimum efficient size of a specific production technology is attained, the primary benefit of larger farms accrues to the individual entrepreneur rather than to the general economy in terms of additional output. Moreover it is almost impossible to tailor farm size to the optimal size requirements of indivisible investment inputs and hence the theoretically determined best productive use of land often does not take place.

Looking at land reform as a strategy designed to improve social welfare Sender submits that a more efficient development of capitalism in agriculture would generate employment in rural areas with wage levels for the rural poor (as wage labourers) which are higher than the income they could generate for themselves (as peasantry) through a land reform programme.⁴¹⁷ This follows from the low level of investable resources available to peasant households and their weak market position. But ultimately, (as Sender agrees) land reform is a political demand and, especially given South Africa's history of racial dispossession, it is unacceptable to argue against it on a narrow technical basis. But I would go further: while the political demand for land reform may concentrate on small scale individual aspirations (with limited access to land, capital and technology) this does not preclude the later formation of cooperatives as a strategy to strengthen the hand of small scale producers within the capitalist economy and potentially to develop democratic forms of cooperative practice which provide the basis for initiating a socialist challenge.

Section (i) reviews the debate on the claimed superiority and inevitability of large scale farming. Section (ii) examines selected data on small scale production and raises the issue of the kind of productivity being discussed and furthermore the importance of comparing like with like, ie one production function with another production function. I conclude that a land reform strategy based on redistribution to individuals who operate on a family-labour based production unit may have important benefits which would increase if cooperativisation can provide access to better technology

⁴¹⁷ Sender, J. Professor of Economics, Witwatersrand University, personal communication.

to improve the production function. I refer briefly to Nolan's criticism of this redistribution strategy as producing an "equalisation" of poverty and support Bramall's counterview that the well-being (albeit at a modest income level) of China's rural majority is surely a great achievement when compared to similar countries such as India and Brazil where resource ownership and income distribution have remained skewed and the endowed strata have failed to invest in production activities to generate more widespread economic benefits.

6.2. The economic superiority of large-scale farming.

During the genesis of capitalism it was believed that farming would be subject to the same tendencies as manufacturing. Marx⁴¹⁸ and Lenin⁴¹⁹ are alleged to have forecast that small family size farms would go out of production to be replaced, at first, by fewer larger scale family farms to be eventually taken over by company capital. The received wisdom that "large-scale farming is technically superior"⁴²⁰ provided some of the rationale for the collectivisation process in the socialist experiments of various countries.

However family owned farm businesses are still very significant in capitalist economies and collectivisation has been beset with difficulties. There have been productivity problems on collective farms whether in Eastern Europe (eg. the Soviet Union⁴²¹), Asia, (China⁴²²) Africa, (eg. Mozambique⁴²³) or Latin America (eg. Nicaragua⁴²⁴).

⁴¹⁸ Marx (1976) pp 905-912, "The Genesis of the Capitalist Farmer" presents an overview of what happened historically, especially in Britain, with regard to the enclosure movement.

⁴¹⁹ Lenin (1977), "The Development of Capitalism in Russia." Ch 1, Pt 11, "The ruin of the small producers." However, Lenin, in fact did not identify family operations with small physical size at the theoretical level. At Utsa Patnaik points out (personal communication) Lenin's polemical pieces, where positions are stated in more extreme forms, have to be distinguished from more considered articles resulting from data analysis. She refers to Lenin's Collected Works, Volume 22 'New data on the laws governing the development of capitalism' "where he analyses U.S. census data using a concept of scale of production different from physical farm size. This position does not come out as clearly in the earlier writing (eg. Development of Capitalism in Russia) because he was using secondary zemstvo data which did not permit a more accurate analysis."

⁴²⁰ Lenin V I, (1965) 'The Land Question and the Fight for Freedom.' p 122. Lenin refers to "large scale farming(s) technical superiority as an "indisputable theoretical truth"

⁴²¹ Medvedev Z A, (1987)

⁴²² Nolan P, (1988) and Wadekin (1990)

⁴²³ CEA (1983), Dolny H (1988)

⁴²⁴ Kaimowitz D, in Fitzgerald E V K and Wuyts M (1988)

Similarly, although there has been an increase of company owned farms in many countries, family run production units have shown great resilience. Company capital has found it more lucrative to invest in both the supply of inputs to the production process⁴²⁵ and the processing of the output. Company entry into the actual production process tends to take place only selectively when there are economies to be gained through vertical integration as for paper, beef, poultry, wine and, previously, sugar.⁴²⁶

Brewster⁴²⁷ offers a simple explanation for the continuity of family operated production units (either on an owner-occupier or tenant basis). He notes that "both before and after mechanisation farm operations are widely separated by time intervals irredeemably imposed by biological advance and climate. In agriculture . . . technological advance does not accelerate the functional division of labour and specialisation since operations are not concurrent as they are in industry. Rather, it allows a family to reduce its hiring of labour."⁴²⁸ For Brewster this explains a predominance in the northern capitalist countries (U.S.A., Canada, Great Britain) of large scale farms run by a single operator (whether owner or manager) employing a reduced amount of hired labour.

But this process has not been uniform in all the capitalist countries. Relatively small units still exist in many of the EEC countries especially where inheritance practices led to subdivision of farms. One of the problems of these smaller units (as has been noted in relation to white commercial farming in South Africa) is their inability to produce sufficient to provide the constituents' socially desired level of farm income. This leads to a political battle in which the farmers lobby for price supports and governments foster land reform policies designed to speed up a restructuring process towards fewer larger farms.

In the white commercial farming sector in South Africa the trend towards fewer farmers owning larger farms continued unabated in the post war period until the 1980s; a trend which has been common to the

⁴²⁵ Goodman, Sorj & Wilkinson (1987)

⁴²⁶ This is particularly identifiable in South Africa where SAPPI and MONDI companies dominate forestry production, Anglo American have invested in vineyards. However there are new developments in the sugar industry where company millers are no longer emphasising plantation production but rather organising small holder contract farming. See Vaughan A, 1990

⁴²⁷ Brewster, J (1950) in his article, "Machine Process in Agriculture and Industry." as cited by Lehman D, (1986) pp 606-7.

⁴²⁸ Lehman's (1986) succinct summary of Brewster's argument. p.607.

northern capitalist economies.⁴²⁹ Krause and Kyle have explored in greater detail the reasons contributing to this trend in the USA. They criticise the old style classifications which count acres and livestock and suggest a more sophisticated analysis which encompasses vertically integrated business units. For example, for some commodities such as beef and poultry there are major changes in the direction of creating production, processing and marketing units. Furthermore the economic capacity of units is increasingly skewed; 1.1 per cent of cattle feed lots dealt with 52.5% of all cattle by 1969. While technological economies of scale are thought to be the primary reason creating the pull for firms to expand and push out other producers, it was argued that other factors are of increasing importance;⁴³⁰ for example, certain pull factors towards larger and vertically integrated units include economies resulting from buying and selling in larger volumes. Average market prices may not always apply to larger firms which may have advantages such as special contracts or vertical integration allowing for a higher net price. Credit is cheaper for larger firms. Large scale units are thought to allow a complement of activity spread over the farming year which is less likely to occur on smaller units thus maintaining employee productivity in the off peak season. These factors are expected to more than cover the higher price which may be paid to manage the larger enterprise.

There are several implications for public policy resulting from the emergence and dominance of large business units. Farming support programmes have failed to differentiate between types of units. The result has been that corporate farming businesses have often been the main beneficiaries of policies designed to improve incomes of single operator family farms. Another important aspect for public policy debate is on the long term social fabric of the farming areas. The trend is towards a depopulated corporate countryside in which small scale family farming has no economic place. While this trend may not be vociferously opposed in highly urbanised industrialised societies it would seem wholly inappropriate in southern economies where there is massive unemployment and landlessness.

A case study on large scale farming in South Africa has been carried out by Moll. In his examination of commercial grain farming he gives

⁴²⁹ Krause and Kyle, 1970, pp 748. mention that in 1930 there were more than six million relatively small, unmechanised, family owned units. By 1964 this figure was reduced to less than half a million with 141 914 larger farm units producing 44% of output.

⁴³⁰ *ibid.* pp 750

special consideration to the issues of economic and technological scale on the assumption that land reform would seek to create and maintain a greater number of farmers. He identifies the reasons why white farmers tended enlarge their farms as well as the push factors influencing those owner-occupier farmers to decide to leave the sector.

The starting point was to acknowledge the intuition shared by South African economists and farmers alike that there are significant economies of scale to be gained through farm enlargement.⁴³¹ These may be expected to level off, after which a situation of constant returns to scale is presumed to the point of maximum management capacity. Moll's objective was to verify the existence of scale economies and to identify the minimum efficient scale (MES), ie. the level of output above which the long run average cost curve is horizontal or rising.

Moll used statistical cost analysis as his primary research method and estimated production functions as a secondary method. He uses statistical cost analysis to derive the 'average practice' curve and argues that the curve is the most relevant information to be used in government policy formation as it indicates the par to be achieved by producers for different farm size within a specific sector of production using a certain technology.⁴³² This approach entails plotting average cost (AC) against farm size measures like area, capital invested and revenue, and computing a Long Run Average Cost (LRAC) curve. The attraction of this method is (i) its simplicity, (ii) the potential it offers for the analyst to use knowledge gained from interviews and (iii) it is based on current farming practice, unlike production function estimates. The statistical cost analysis also allows

⁴³¹ Moll checked with farmers that they shared this opinion. He interviewed 31 farmers in Malmesbury and 24 in Bredasdorp.

⁴³² According to Moll's literature survey the "results of returns to scale studies in agriculture are determined by the method chosen" The synthetic firm method shows very high costs at small sizes which fall rapidly as mechanisation takes place up to the point where two people are fully employed after which reductions in average cost are minimal or zero. The production function method usually finds constant returns to scale except for very capital intensive operations like feedlots and broilers which show increasing returns to scale. Furthermore "when the production function method is combined with covariance analysis to eliminate management bias, strongly decreasing returns to scale are shown. A third method, statistical cost analysis often shows gently increasing returns to scale in the smallest one third to one half of the observed range of sizes and approximately constant returns to scale beyond" A fourth approach, the "survivorship approach" at its simplest involves comparing the size distribution of farms at two different point in time. It assumes that under competitive conditions those firms who do not attain average costs fail to gain sufficient entrepreneurial reward and drop out.

for separate analysis of the economies of scale due to various financial and marketing factors and not just machine use, managerial efficiency and labour specialisation. Moll carried out two surveys as well as examining official data sets from the census and postal records on maize/livestock and wheat livestock farms

Farmers gave improved net farm income as their main reason for buying additional farmland.⁴³³ They failed to distinguish between the additional portion of net farm income accruing from the extra hectares farmed and any addition due to more efficient use of resources because of the increase in farm size. The wish of farmers to help their sons settle on the land was a second major factor. They also felt expansion would enable them to use their machinery more economically.⁴³⁴ Lower interest rates and volume discounts on input purchases were referred to as further sources of scale economies. However several interviewees felt that farmers operating smaller scale farms had more managerial time available per hectare and could therefore manage the land more intensively and use machinery more carefully thus prolonging machine life.

Farmers' perceptions were compared with data collected on trends in unit costs. Farmers expected unit costs to fall as farm size increased. Moll examined whether the reductions were constant over a range of size or if they levelled off indicating some minimal or optimal operational size.

Moll's results challenged popular perceptions.⁴³⁵ He found smaller farms cropped a higher proportion of their farm area and used machinery of the same horsepower more intensively than larger farms⁴³⁶. They did not have a higher proportion of second hand machinery and their machinery was not older than on the larger farms. Yields per hectare did

⁴³³ Part of the pressure to increase income is to maintain parity with rising urban incomes. See Moll P, 1988, p163. and p 288. Farmer's incomes were as much as 50% less than those of equivalent occupations in 1970; this disparity decreased in subsequent years.

⁴³⁴ All the farmers that Moll interviewed in the Bredasdorp district "believed that larger farms have lower machinery costs per unit area, especially in combines, the minimum efficient size being about 250-500 hectares under grains (ie the minimum efficient farm size including land for grazing of stock would be some 500-1000ha.) Some believed that machinery costs per unit area continue to fall to a size of 800 to 1000 ha and beyond.

⁴³⁵ *ibid* pp50-51.

⁴³⁶ One difference was noted concerning combine harvesters; their ownership and use depended on the total adjoining areas operated. Moll suggests this is because of the expense of moving a combine from one farm unit to another.

not increase significantly as farm size increased. Machinery costs per unit of output were also constant after a certain minimum scale was reached. The survey also indicated a technological bias towards machinery adoption irrespective of economic rationale. This reiterates de Klerk's earlier findings that machinery which displaces labour is favoured, over and above economic considerations, because it reduces the employer's need to recruit and supervise labour.

More specifically when the operator's managerial labour is discounted there are clear indivisibilities in the maize-livestock farming samples below 250-300 ha as the analyses showed falling unit costs within this range. But indivisibilities were not found in the 50-300 ha range in the wheat-livestock area. Above this range the analysis indicated constant returns to scale in the range of 250-2300 in the maize farming region. However once the entrepreneur's managerial labour is priced then the minimum efficient scale alters significantly. The results indicate that one operator can efficiently manage a 850-1650 ha maize-livestock farm and a 750-1050 ha. wheat-livestock farm.

Smaller farms were not able to achieve higher yield per hectare as a strategy to raise income. The difference in production activity between smaller (200-500ha) farms and larger ones was to crop a higher proportion of the farm so as to optimise use of the machinery. This is a higher risk farming strategy because of the drought vulnerability of crop farming.

The results contradict farmer's beliefs that they might enjoy substantial scale economies through more effective use of machinery.⁴³⁷ The real benefits are that additional land is farmed without incurring additional management costs and risk is reduced through changing the cropping mix. The basic scale economy is that of the managing operator.

Moll concludes that the implications for land reform strategy are as follows: there could be economic efficiency gains if farms of less than 300 ha are amalgamated, but these gains may be as small as 5 per cent. Conversely a land reform strategy in South Africa (assuming a direction towards establishing smaller scale black entrepreneurs) should avoid a redistribution of land that creates farms within the 50 to 300 hectare size

⁴³⁷ Moll P, p81 "Misperception: perhaps the respondents confused unit machinery costs, which do fall with size on account of falling cropping intensity, with unit total costs, which do not."

bracket⁴³⁸, otherwise there would be a tendency to call for price supports. On the other hand, if the objective of a land reform is to maximise employment then employment is more intense on smaller scale farms as a greater proportion of the farm area is cropped.

6.3. Productivity on "small scale" production units

It is important to any discussion of scale and productivity to separate different types of productivity: land productivity (yield per hectare), labour productivity (output per labour unit) and capital productivity (output per unit of capital expenditure). Although yield can be described either in physical or monetary terms. I restrict the discussion here to physical considerations. In terms of technological innovation, yield increasing technology may be either mechanical or biotechnological. Tractor ploughing may contribute to increased land productivity as it may permit a larger area to be ploughed and yield may increase through better timing and quality of tillage. It may be possible to undertake double cropping or a different range of crops because of the swiftness of operation.⁴³⁹ My preference, however, is to restrict the discussion to yield increasing technology of the type achieved through use of seed varieties, fertilisers, pesticides and irrigation.

A great deal of the research on scale, technology, efficiency, and land reform deals mainly with owner-occupiers or tenants operating within a capitalist organisation of production. Comparative research on efficiency of state farms and cooperatives is less abundant. Researchers seem to employ different productivity criteria according to the type of farm unit. Studies of large scale commercial farms most often refer to the efficiency of employment due to mechanisation assuming the use of a certain bio-technological package. The scale and efficiency analysis thereafter concentrates on scale economies accruing to machinery employed on farms of various size and identifies the optimal management size which can be undertaken by one operator/manager. Studies of small scale units run by simple commodity producers most often focus on land productivity reviewing the capacity to use new technology, the minimal

⁴³⁸ The Urban Foundation land reform proposals include suggestions to give assistance to create black entrepreneurial farms of 200 hectares. Thus Moll's work provides a basis for critical reflection of this proposal in its own terms.

⁴³⁹ Machinery also modifies the soil structure: heavy tractors can compress the soil to form a relatively impermeable layer that inhibits proper drainage and affects fertility.

scale required if certain tillage machinery (oxen, tractors) is to be introduced or the capital requirement of new technology (eg. tubewells). The first assumes that commercial viability hinges on reduced unit costs. The second assumes a labour surplus and compares land productivity where there is access to inputs and/or capital improvements.

Moll acknowledges that his study is restricted to the white commercial sector where the smallest wheat or maize farms are about 50 hectares in size and all use a certain type of mechanisation and biotechnology. The production model is that of an operator manager employing both permanent and casual labour. The issue of organisation of production on units of less than fifty hectares, which is very likely to occur in South Africa, did not fall within the scope of the study.

Land made available to individuals through a state supported land redistribution process may well be far less than the fifty hectares minimum size studied by Moll. Therefore it is pertinent to look at information available on scale, mechanisation and biotechnology use as well as the economic and marketing conditions facing producers operating on farms below 50 hectares.

A study by Weiner, McKenzie and Vink⁴⁴⁰ challenges several pieces of conventional wisdom concerning land productivity and land use frequently proffered about white commercial farming compared to black farming on small plots (commonly 0,5 to 5 hectares) in the bantustans. One such pearl of "wisdom" is that white farmers exploit the full potential of their cultivable land area whereas blacks fail to cultivate a considerable proportion of land in the bantustans. Another common prejudice is that blacks are incapable farmers and therefore it follows that any significant land transfer to blacks would result in an overall drop in production.

DBSA research on land use in white areas suggest both a distorted use and underutilisation of land in different regions. Farmers in eastern regions, favoured with flat lands but low rainfall, found it preferable to cultivate grazing land because of the machinery subsidies and the prevailing producer price. But in the more hilly and wetter western parts two thirds of all medium potential arable land is used for grazing. Weiner calculated that over three quarters of South Africa's high potential arable land is located in Natal and Eastern Transvaal and that only half of the land had been cleared for arable use. Forestry, beef and dairy grazing, mine

⁴⁴⁰ McKenzie, C.C., Weiner D and N.Vink. (1990)

industry ownership of land and slopes less favourable to machine use are the reasons offered for the low level of arable production.

Research on land use in the bantustans contain classification errors leading to an overestimate in the amount of arable land. Lack of capital for means of production, or money to buy inputs and hire labour as well as competition from off-farm income earning opportunities are given as reasons for the underutilisation of productive land in the bantustans.(see Chapter 5)

McKenzie et al⁴⁴¹ suggest that black farmers operate fairly competently given the many limiting factors they face. Studies⁴⁴² carried out in the bantustans on maize yields for dryland farming without access to improved seeds and fertilisers compare favourably to the yields obtained forty years ago by white farmers in the same technical circumstances. And where black farmers do have access and skills to use improved biotechnology the yields are comparable to those of white farmers. Weiner also produced an input-output table⁴⁴³ calculating resource use efficiency and found a favourable comparison. White farming has a higher input rate and achieves a higher output but (again in contradiction to conventional wisdom) rarely with any greater efficiency of resource use.

The various studies indicate the importance of access to biotechnology, investment opportunity and institutional support. There are examples of extremely high yields on tiny homestead plots indicating a capacity to use land intensively in a situation where labour and biotechnological inputs are available but there is an absolute land shortage

Such findings are consistent with those of other countries where there is evidence of an inverse relationship between size of holding and land productivity. The phenomenon occurs when there is a shortage of land, an absence of wage labour opportunities but sufficient access to the basic inputs. Farmers employing wage labour will do so to the point where the marginal value product of labour is equal to the wage. On the other hand, Sen has argued, persons working their own land, who want to maximise total output, will apply their labour beyond this point.⁴⁴⁴

⁴⁴¹ *ibid.*, 1990,p9

⁴⁴² Weiner, 1989 draft, pp 15-21, cites studies by Lipton, Coetzee, Lyne and Ortmann, May and Roodt.

⁴⁴³ Weiner, *ibid.* p 19-20

⁴⁴⁴ Sen A, 1962, p245.

Lehman⁴⁴⁵ reviews the literature on the survival of simple commodity producers within third world capitalist countries. He notes that Chayanov (1967), Lipton (1974), Sen (1966) and de Janvry (1982) all concur on one point: "The costs of production on a peasant farm are lower than those of a capitalist farm producing the same crop on the same piece of land" assuming the same use of biotechnology and that "small agricultural producers use their labour very intensively to extract unparalleled levels of productivity from their land and capital"⁴⁴⁶ Much of the data available showing the inverse relationship between size of land holding and productivity come from Asian⁴⁴⁷ and Latin American⁴⁴⁸ countries; much less is available from Africa but the International Labour Organisation (ILO) on publishing the results of two government surveys concluded that the available data makes a strong case for subdivision of large farms in Kenya.

Table 6.1. The Relationship between Output, Land Utilisation, Employment and Farm Size on Settlement Schemes, 1967/68 season.

<u>Farm Size</u> <u>Group</u>	<u>Average Size</u> <u>(acres)</u>	<u>Land under</u> <u>Crops %</u>	<u>Labour per</u> <u>1000 acres</u> <u>equivalent</u>	<u>Output:</u> <u>Shillings/</u> <u>acre</u>
less than 10	7.3	45	808	635
10-19.9	13.8	30	399	250
20-29.9	23.5	24	234	156
30-39.9	34.7	16	159	161
40-49.9	44.4	14	124	113
50-59.9	52.3	15	111	98
60-69.9	64.5	19	109.	98
more than 70	124.8	14	70	111

Source: Kenyan Statistical Digest, Vol X, No 1, March 1972. Reproduced in Hunt. 1984, p 254.

If land productivity is taken as a rationale for land reform then this phenomenon can and has been used to justify far reaching land redistribution. This is what Hunt concludes for Kenya. She emphasises that in the prevailing situation of unemployment, land productivity and creating self employment opportunities should override labour productivity considerations. In a follow-up report to the ILO studies, Livingstone

⁴⁴⁵ Lehman D, 1986, p 603

⁴⁴⁶ ibid p 604

⁴⁴⁷ Sen 1962., Roy P, 1981

⁴⁴⁸ Berry R A & W R Cline, 1979. pp 44 -126 review data from Brazil, Columbia, the Philippines, West Pakistan, India and Malaysia as well as analysing extensive data from a wider range of countries.

recommends a sub division of all farms over ten hectares. and proposes 2.5 hectares as the area which a family can till without hiring labour.

Patnaik is extremely critical of the land productivity approach to the land reform debate. She applies both a scientific and class approach to the analysis of productivity data. She points out that the issue of land reform is predominantly political (which overrides the productivity issue) but furthermore that there must be an inherent logical fallacy in the inverse land size/productivity argument. Her first point is that one must be comparing like with like and on this basis it is illogical, in terms of economics, (in a market situation) to presume that the poor peasant is operating with the same production function as the capitalist farmer. The entrepreneurial landowner, she argues, always has the option to lease out land. If therefore the landowner is to undertake a production activity this can only be expected to occur when a technological change can permit the landlord to undertake the farming activity and earn not only the rent but the going market return on the operational activity. This must hold true for market economies but may fail when there are institutional impediments such as the racial separation of land access in South Africa.

Patnaik illustrates her logic through a study of data from West Bengal, India using farm size as a first rough approximation from which to begin class analysis. Patnaik compares outputs and inputs per farm and per acre of gross sown area.⁴⁴⁹ She examines labour productivity and changing production functions as richer peasants invest their surplus. Her case studies reaffirm Kautsky's statement: "A small estate cultivated in an intensive manner can constitute a bigger scale of exploitation than a larger estate cultivated in an extensive manner." The point is that scale should not be isolated from the nature of the production function and the quality of land. The rich peasant farmer having used investable surplus for irrigation will achieve a much higher output than the poor peasant operating a more extensive area however much labour the peasant uses.

⁴⁴⁹ Patnaik U, 1972, p 1614.

Table 6.2. A Comparison of Farm-size, Yields and Labour Productivity.⁴⁵⁰

1	2	3	4	5	6	7
Size	Average	Cultivated	Net Labour	Family	Gross	Gross Out-
Class	Farm	Area per	days hired	labour days	output	put per
Acres	Size	capita acres	In/Out	per farm	per Acre	Family
)		per Farm		Rs.	Labour
			(+/-)			Day Rs.
00.01-1.25	0.73	0.16	- 90.34	57.83	298.90	3.75
1.26-2.50	1.83	0.31	- 46.94	92.66	275.41	5.43
2.51-3.75	3.17	0.46	- 20.59	151.50	259.36	5.43
3.76-5.00	4.28	0.58	- 3.40	160.65	251.25	6.69
5.01-7.50	5.99	0.63	+ 39.59	253.61	209.30	4.94
7.51-10	8.28	0.92	+106.91	306.60	259.30	7.00
10.01-15	12.88	1.02	+478.30	171.33	207.71	15.62
15	17.05	1.25	+823.28	281.48	246.09	14.91
	2.67	0.42	- 15.13	106.48	250.52	6.27

Source: Patnaik, U. (1972) p404. Table 6.2.: data taken from Patnaik. Her data source was the Farm Management Report, West Bengal 1956-7.

The survey method data are taken for all columns except cols. 4 and 5 for which only cost-accounting method data are available. Col 4 has been calculated from the Report, p.33 Table 3.30 and col. 5 from col 4 and Report, p. 197 Table A-11. Patnaik observes that the shortage of land on what she calls "dwarf holdings" limits the days worked. No matter how intensively labour is applied, by a self-exploiting poor peasant family, involuntary unemployment occurs. In fact the so-called "inverse relationship" between farm size and land productivity is a testimony to desperation to maximise production in the absence of other economic alternatives. The larger richer peasant holding attains higher yields (excepting the very smallest class of dwarf holdings) and a higher labour productivity. These rich peasants are emergent entrepreneurs who can be expected to expand their activities and adopt improved techniques.

When high land productivity on dwarf holdings is examined from this angle Patnaik says, "it may be judged how grotesque is the 'efficiency' argument for land reform . . . (which) the followers of neo-classical economism seek to garb in the raiment of economism, and the most vulgar, fallacious type of economism at that."

⁴⁵⁰ ibid, pp 404

A stronger proposition is put forward in Patnaik's later work⁴⁵¹ in which she shows that the family-labour based sector and hired labour based farming are not identical with small-sized and large-sized farms once data are separated. Furthermore, not only labour productivity but also land productivity was higher on hired labour based holdings as a consequence of the different "production functions" that they operate.

Vaughan examines small scale sugar production by blacks in KwaZulu and KwaNgane. Her data suggests the need for scepticism of the Development Bank's claims⁴⁵² that small scale producers are highly competitive. Commercial levels of agricultural productivity have not been generally achieved in KwaZulu sugar production. It is estimated that: "The average yield for a small-scale (black) farmer is 35 tons of cane a hectare a year compared with the 50 tons of the (white) commercial farmer. Vaughan's analysis complements that of Patnaik as she further reviews the marketing conditions facing small-scale producers. Her contention is that "liberal development ideologies . . . gloss over the complexities of economic and social realities" and fail to give sufficient attention to the "limitations, vulnerability and fragility" of small-scale producers.

Sugar production in KwaZulu, for example, was fostered by the South African Sugar Association (SASA). This involved many producers giving up their maize production (produced for both home consumption and sale) and exposing themselves to the vulnerability of non-food cash crop production in the hope of a higher cash income to compensate the risk. From the mid-seventies SASA administered a Small Growers Financial Aid Fund (FAF) making credit available for the first time to producers unable to get bank credit because of the communal land status. In 1987, 22 000 growers cultivated 18.7% of the KwaZulu/Natal hectareage. The number of growers is now over 30 000. Production is both dryland and on irrigation schemes. Holdings range from 0,5 to 36 hectares with an average size of individual holdings of 2 hectares. Producers face a range of problems: credit, labour, contracting service and finally marketing.

Many cane growers use a combination of family and wage labour for cultivation. But black growers complain both about availability of labour and work performance. Firstly, most of the rural areas economically active people have left for the urban areas to search for better job opportunities

⁴⁵¹ Patnaik, U. 1987

⁴⁵² S.S.Brand, Development Bank of Southern Africa. Weekly Mail. June 1990.

and, secondly, local white farmers appear to pay better wages and food. Contract services are used for major operations: land preparation, cane cutting and haulage. Growers appear to have very different experiences. In the Olimati area near Glendale Mill growers complained of poor contracting services; cutting was done badly and not at the arranged time. The inferior quality of late cut cane caused financial losses to the growers.⁴⁵³ However in Inanda a local contractor employs specialised Pondo cutters. Growers express satisfaction that they are achieving production levels comparable to white farmers. These are the exceptions which lend credence to Brand's statement, "We have to get the fictitious argument (that smaller farmers mean less efficient production) out of the way."⁴⁵⁴

But Vaughan's emphasis is on the vulnerability of the small scale producer, ie. "The entire existence of petty commodity producers depends on the interplay of wider economic and political forces." For instance, SASA has been encouraging black growers in the Entumeni Mill area since 1973. In 1988, when 1300 black growers delivered 100 000 tons of sugar cane to the Entumeni Mill Premier Holdings, (Entumeni mill owners and South Africa's largest agribusiness firm) announced their pending sale and closure of the mill. Timber companies were buying out white farmers undermining the mill's economic base. Entumeni KwaZulu cane growers challenged the closure. Proposals for it's remaining open hinged on obtaining a thirty year supply contract from thirty white farmers in the area. No white farmer agreed to this in view of the huge prices for land on offer from timber companies. The demise of the 1300 black growers appeared inevitable. In 1989 the state approved the construction of an ethanol project which it had previously rejected. The ethanol plant will require expanded sugar supply. Entumeni black sugar growers have gained a reprieve but the experience has revealed the full extent of their economic vulnerability beyond the sphere of production.

In terms of the scale and technology debate the KwaZulu and Bophutatswana examples illustrate the specificity of South Africa's racially based land division. White farmers pay better wage rates and their land productivity is less likely to fall due to shortage of workers. They are better able to deal with contractors to operate at the most opportune time. In short they operate on a different production function in spite of black growers having gained access to technology and skills through institutional

⁴⁵³ Vaughan A., 1990.

⁴⁵⁴ S.S.Brand, Chief Executive of the Development Bank of Southern Africa. Supplement to the Weekly Mail, March 30 to April 4th 1990)

support. In the present situation the non-marketability of bantustan land has impeded whites buying out black producers.⁴⁵⁵ These realities have far reaching implications for a land reform design which aims to assist the entry of black entrepreneurs. Land-ownership through market access would seem completely unviable for rural households dependent on migrant wages for their reproduction and who want more land to improve their household food security.

Small scale producers in South Africa who achieve high land productivity levels are the exception even when credit and technology and training are all present. Brand's statement, "we have to get away from the idea that small producers cannot farm effectively" is on the face of it a DBSA expression of confidence in black farmers as users of national resources; it helps also to challenge racist attitudes towards blacks. But what is not expressed is the underlying philosophy of the DBSA approach which is based on the assumption that blacks have lower expectations than whites. The result is that many whites will exit the agricultural sector because they are unable to generate their expected level of remuneration and they could be replaced by blacks many of whom will prove themselves capable of achieving an effective output - but will at the same time have lower income expectations than whites.

The implications of institutional barriers and differing production functions has far-reaching implications with regard to earlier discussions on land valuation and land markets. Moll's average practice curve is the average of white commercial farmers. The Swedish example of a production valuation of land is based on an evolving social norm which may be homogeneously applied because there is no institutional division of the population. South Africa's specificity is its institutionalised racism and the apartheid legacy. Estimating the productive value of land depends on a social norm of production resulting from farmers' operational production function. But in South Africa there is no one average practice curve. The

⁴⁵⁵"If the agricultural production of the small peasant is not drawn into the sphere of commodity production, if it is merely a part of household economy, it also remains outside the centralising tendencies of the modern mode of production. However irrational his parcellised economy may be, no matter what waste of effort it may lead to, he clings to it tightly, just as his wife clings to her wretched household economy, which likewise produces infinitely miserable results with an enormous expenditure of labour power but which represents the only sphere in which she is not subject to another's rule and is free from exploitation. Lenin Volume 4, pp 119-131, quoting Kautsky.

implications of this legacy for a land reform programme will be explored in Chapter 7.

6.4. Land Reform, Political Demands and Forms of Production

Land reform protagonists, asserts Patnaik, should be guided by the strength of political demand. The argument that small can be more or just as productive applies to productivity achieved only through an extreme use of low-productivity labour in a situation of land and capital shortage.⁴⁵⁶

There will be political resistance to any land reform which restricts itself to the entry of black entrepreneurs into the previous white-only sector. Therefore a forward-looking land reform policy must contemplate a fundamental land redistribution which will probably require the allocation of land units below the minimum 50 hectares recommended by Moll.

Sender has reasoned that land redistribution is objectively pointless because the dynamic process of continuing differentiation within capitalism will ensure the reoccurrence of landlessness and that, in any case, wage workers have a higher income than extremely poor self-exploiting peasants. But he accepts that the political demands for land reform counterbalance the longer term considerations.

The alternative, for petty commodity producers, is to organise collective production as a long term survival strategy. Bhalla and Chadha's study of the small scale peasant in Punjab using green revolution technology shows that productivity of farmers with management skills depended on their access to institutional support, extension, credit and equivalent bio-technology inputs.⁴⁵⁷ Although small scale producers adopted new biotechnology rapidly, large scale farmers were undoubtedly advantaged because their investible surplus meant they could more quickly undertake the capital investment required for tubewells etc. The latter is presented as the major reason why it is in the interest of the poor peasant class to form cooperatives.

⁴⁵⁶ "The existence of a small peasantry in every capitalist society is due not to the technical superiority of small production in agriculture, but to the fact that small peasants reduce their requirements below that of the wage workers and tax their energies far more than the latter do. . . ." Lenin, "Development of Capitalism in Russia." Preface to first edition p.4. quoted by Patnaik.

⁴⁵⁷ Bhalla G S & Chadha, 1982

The formation of co-operatives offers immense potential advantages to a poor peasantry. Land can be pooled in order to gain the benefit of scale economies. There is a continued ownership of the means of production which may be more rapidly developed due to a higher investable surplus. Large scale projects may be undertaken, beyond any individual capacity, water projects, afforestation become more feasible and so on. A co-operative may undertake a vertical integration approach to production, permitting a potential enjoyment of profits not available to the individual small scale producer. At the least the collective allows the opportunity for self-realization and continued autonomy denied to the wage worker.

But in practice, the record of achievements of collective production are generally less glossy. State coercion and centralised planning have caused alienation, a lack of sense of ownership of the collective project and have generally resulted in a low productivity of labour, land and capital.⁴⁵⁸ At the same time, in comparable circumstances, collective production has clearly benefitted the majority of its producers. Bramall, for example, emphasises that comparisons should be made of countries with similar socio-economic profiles. Hence the transformations which have occurred in China should be compared with countries like Brazil and India. Nolan's study did focus only on China. He insists that despite the overall longer term production achievements, the precipitate collectivisation caused two major famines. He characterises China's achievements in the socialisation of agriculture as "the equalisation of poverty". Since Nolan does not compare China with India, he does not reflect on whether China's strategy of low incomes but with household food security is superior to the widespread malnutrition among India's rural poor. India's economic strategy has not produced better social or economic results. His conjecture that productivity could have been higher in China if a less equal distribution of resources had been permitted is not supported by comparison with countries with unequal distribution of resources.

There are successes among the early failures of collectivism which reaffirm its potential. China's initial approach to collectivisation through a gradual transition via mutual aid, cooperation and use of material incentives demonstrated a remarkable potential. In a later period China's collective farms "made possible the mobilisation of the rural labour force on an unprecedented scale . . . (enabling) vast water conservancy projects

⁴⁵⁸ Nolan P (1988) on China, Dolny H (1986) on Mozambique, Kaimowitz D (1988) on Nicaragua, Danilov, V.P. (1988) on the Soviet Union.

and infrastructure construction. . . crucial. . . in raising farm yields."⁴⁵⁹ Mozambican women, through the formation of peri-urban producer cooperatives, successfully protected their informal access to land when they were in danger dispossession. Simukai, is among a handful of Zimbabwean cooperatives which have overcome severe handicaps and succeeded both business-wise and in providing a better social quality of life.

Among the lessons to be learnt of the early failures of collectivisation are the need to identify common class interest,⁴⁶⁰ the dangers of any top-down approach and the prerequisites of a collective profit-making business: managerial competence, technical skills and a participatory democracy. In future attempts at collectivisation there is the need to re-examine the connection between individual land control and productive collaboration. China's early collective attempts successfully combined individual land control with cooperation. Elsewhere an ultra-leftism has imposed collectivisation of land control as a prior condition to cooperative activity. Another option, examined more fully in Chapter 8, is that of Development and Land Trusts through which individuals may profit through participating in a scheme designed to benefit both the individual and the larger community.⁴⁶¹

Finally a discussion on scale economies, choice of technology and organisation of production in relation to land reform should be underwritten by considerations of economic development strategy as a whole. As argued below technology and scale should not be discussed merely from the production point of view.⁴⁶²

Land reform policy involves choices. Large farms may remain intact and the reform element will be reflected in new management practices, labour legislation and housing security.⁴⁶³ Farms may also be transformed

⁴⁵⁹ Bramall, C (1991)

⁴⁶⁰ *ibid.* "Poor peasants quite rightly fear "cooperative capture" by rich peasants, who then proceed to manipulate cooperative policy to suit their own interest."

⁴⁶¹ Warburton D & D Wilcox. (1988)

⁴⁶² Wuyts, M (1981)

"the question of mechanisation of agriculture cannot be posed in the abstract or at the general level, but needs to be analyzed in view of the specific conditions of the present-day rural economy" " the question of choice of technique in agriculture is not merely a technical issue, but principally a political choice which affects the whole social structure of the rural economy."

⁴⁶³ Some farm-workers on Western cape wine farms have said that they are not interested in a division of the land but they would like (i) the racial

into state farms or cooperatives which should imply a different management practice but the technological organisation of production may not change very much. A further option is to subdivide a farm into smaller units and introduce a new technological package. But different sectors of agricultural production face differing scale, technology and efficiency criteria. A "small is beautiful" approach can be a recipe for low productivity and low earnings; each sector needs to be studied separately and their economies of scale investigated.

6.5. Agriculture and Economic Strategy

In relation to the role of agriculture in the macro-economy, considering key issues of employment and marketed food supplies, I contrast highly mechanised grain farming (whether run by private company, state or cooperative) with less mechanised grain farming. I contend that a continuation of past policies which reduced the real costs of mechanisation⁴⁶⁴ cannot alleviate the unemployment crisis. A more labour absorbing strategy must be pursued.

In an earlier phase of capitalism a major concern was to mechanise agriculture and increase production. Farms would thus provide a higher marketed surplus per unit employee. This agricultural development would secure both a release of farm employees to industry and a food supply to the urban industrial centres. Population growth and a reduced labour demand due to innovative labour saving industrial technology have changed the terms of the debate.

In present circumstances agricultural development should not be judged mainly by calculating output per unit employee but rather by a strategy which creates most wage or self-employment opportunities. Wuyts refers to this as identifying the best labour absorbing strategy which he distinguishes from a labour-intensive strategy. "This is a crucial distinction . . . as (one) refers to the technique which generates the greatest demand

basis of both the management structure and pay differentials to end (ii) an implementation of the Basic Conditions of Employment Act on farms and (iii) housing security. See Hamman J (1990) "Working for a house."

⁴⁶⁴ Farm owners pursued a mechanisation policy which in their terms was both cost effective, eased the seasonal labour recruitment problem as well and is also less demanding in managerial terms. Costs were reduced through special import conditions pertaining to agricultural machinery, fuel rebates, tax exemption on farming profits used for machinery purchase. See the "White Paper" on "The Report of the Commission of Inquiry into the Tax Structure of the Republic of South Africa." (1988)p 16. hereafter referred to as "The Margo Report."

for labour (to operate the given equipment) while the (other) enables the greater employment of labour within the economy" through its specific backward linkages, production of surplus and subsequent forward linkages.

For example, the use of hand hoes may be the most labour-intensive technique but the output productivity per head may be very low. The use of oxen and ploughs, however may permit greater direct employment possibilities in agriculture than say tractors (but less than hoes) but achieves a higher productivity and further employment possibilities through the wider economy.

Wuyts goes on to distinguish between output per head and output for given investment, . . . a tractor is clearly more productive than an ox-plough, but many ox-ploughs can be bought for the price of one tractor, and their combined output may well be greater than that of one tractor; i.e. although the tractor yields a higher output per head, it does not necessarily yield a higher output for equal investment cost."⁴⁶⁵

Another critical observation is the distinction between total output and marketed surplus. For example the technique which yields the highest output for given investment is not necessarily that which provides the highest marketed surplus. This is because the labour absorbing technique may have a higher on-farm consumption as the producers themselves want to eat part of their produce. As observed earlier the issue at stake is not just one of producing a marketable surplus to feed the towns but one of producing enough food for both town and countryside. Increasing self-employment on the land or increased job opportunities can reduce the demands made by the previous landless unemployed both on the state for social welfare handouts and on their own extended family networks.

The implications of the choice of technology debate is especially important to the manufacturing industry. South Africa's domestic tractor production has, for example, concentrated on an import substitution strategy to provide machines for large scale grain farming. If an employment expansion strategy is pursued requiring the adoption of a modified mechanisation strategy (possibly on smaller scale units) it follows that research, development and a state fostering of manufacturing industries to support this aspect of agricultural reform is essential.

⁴⁶⁵Wuyts. M. (1981) p 10.

A further extension of the logic of a labour absorbing strategy is that land redistribution should take place with preference to summer rainfall areas which have a high person/land (carrying) capacity. Furthermore any entrant-small holders will be best placed to gain the maximum advantage from intensive use of land and capital.

While any land reform will be bound by its inherited structure and organisation of production, there are a myriad choices to be made which will influence the country's future political, economic and social character. Development strategy requires national decisions on investment, technology, employment, forms of ownership, on-farm consumption weighed against marketed supplies to urban centres. Moreover South Africa faces the predicament of an enormous percentage of formally unemployed people and a high level of malnutrition. Land redistribution challenges the skewed resource and income distribution and offers the potential for increased employment and improved nutrition.⁴⁶⁶ However the present farming system is itself unsustainable both ecologically and economically. A new human, mechanical and biological mix is required in a search for an economically viable and sustainable agricultural system. The new mix will not come about spontaneously but must be fostered by state intervention. It is my submission that the policy design must be primarily informed by a labour absorbing strategy in agriculture.

⁴⁶⁶Both Moll's data and DBSA data (Christodoulou & Vink, 1990) show more intensive use of labour on smaller sized farms.

Chapter 7. Productivity, Profitability and Land Prices.

Access to land, the cost of access and the form of tenure are key issues in the land redistribution debate. There is no clean start and a policy which dismisses the past is unacceptable. While there may be a willingness to forgive the past; reparations are expected. The starting point is the legacy of the present rural economy which includes racially separate, diverse and co-existing forms of tenure, class differences among black rural residents as well as considerable stratification among white commercial producers. Furthermore, the land ownership profile within the commercial freehold sector and its market conditions have been heavily influenced by past and ongoing state intervention. As a result, the mean average of productivity and profitability is not the sole determinant of land prices. These will also be influenced by the reality that South African commercial agriculture is dominated by a few thousand units commanding control over eighty percent of land and resources. This factor of concentration plays a role in determining land prices by those who have the market power. These are the inherited conditions within which agrarian reform and land redistribution must take place.

The prevailing view of all the major political parties is that land should not be nationalised and that a land market should continue to operate. In Section (i) below I review the trends in South African land prices in the commercial freehold sector (a) nominally (b) between sectors and (c) in real terms. I note the influence of government policy on the centralisation process which itself influences the land market. In section (ii) I discuss the ongoing debate over land prices especially on the ever widening gap between the estimated productivity valuation and the market price and (iii) the implications of subsidised access to land within a free market context. In the last section I explore the implications of a land redistribution strategy which mainly depends on subsidised access within a market context. I argue that such a strategy is largely inappropriate considering the apartheid heritage of racially differentiated access to capital and skills and explore some of the drawbacks. I conclude by considering the conditions facing new entrants into the commercial farming sector in terms of capital needs, the importance of differing production functions of different strata of producers and how changing conditions of profitability will affect farmers' ability to pay off their bond.

The recognition of different production functions operating among different categories of producers must have implications for a land

distribution which is based in the context of a continued land market. Different production functions result in different productivity values. There will be variable levels of net income from what may objectively be the same land type. Different levels of net income affect farmers' liquidity and capacity to repay a land mortgage and must be considered in designing a land reform strategy.

7.1. Changes in Land Prices 1968-1990: nominal, real and by sector.

In 1986 the government published a report on the restructuring of white agriculture reviewing the changes since its last major enquiry in the early seventies. In relation to the agricultural land market the government expressed two major concerns. Firstly land prices were increasing phenomenally and they feared a collapse in the land market, "The increase in land value as the result of inflation and negative or very low interest rates is a deferred income that is only realised on the sale of the land . . . sudden and considerable increases in real interest rates could cause the land market to collapse as happened in the USA during 1982 to 1984; land prices dropped by 50 percent which led to large scale bankruptcy among farmers."⁴⁶⁷ The second major concern was the ever-widening discrepancy between an assessment of the productive value of land and its market value.

Part (i) of this section looks at the trends in land prices as concentration has taken place and as the general profitability conditions in the farming sector have deteriorated towards the end of the 1980s. I distinguish between the inflationary nominal land values and deflated real values and also identify some differing trends between farming sectors. I review the government intervention to prevent bankruptcies, to reschedule debt and, in some cases, to write off debt and ultimately supporting land values.

7.1.(i) Changes in nominal land prices

The "serious inflation of agricultural land prices" is represented by the data in Table 7.1. and the values of nominal prices are mapped out in Figure 7.1. The table and map indicate changes in average nominal land prices over a twenty three year period 1968 to 1991. There is a different rate of change in different sub-periods. From 1968 to 1980 there is a gradual annual nominal increase. As from 1980 to 1988 the rate of increase is much

⁴⁶⁷ Economic Advisory Council to the State President. 1986.

higher and is sustained throughout the period. Prices almost tripled from the start to the end of both periods but between 1968 to 1980 the average increase per annum was 8 percent whereas between 1980 to 1989 the average increase was 39 percent per year.

Table 7.1. Nominal Land Prices 1968-1991.

<u>Year</u>	<u>RSA.R/Ha</u> <u>Nominal</u>	<u>Rate of Increase</u> <u>%</u>	<u>Inflation</u> <u>Rate %</u>
1968	50.0		
1969	54.5	9.0	2.9
1970	68.7	26.0	5.1
1971	82.0	19.4	6.4
1972	86.1	5.0	6.5
1973	89.5	3.9	9.4
1974	96.7	8.0	11.6
1975	103.6	7.1	13.5
1976	136.0	31.3	11.2
1977	122.5	-9.9	11.0
1978	137.5	12.2	11.0
1979	134.4	-2.2	13.2
1980	145.7	8.4	13.8
1981	199.7	37.1	15.2
1982	237.1	18.7	14.7
1983	258.6	9.1	12.4
1984	336.7	30.2	11.5
1985	361.6	7.2	16.3
1986	364.4	0.9	18.6
1987	375.0	2.9	16.1
1988	427.8	14.1	12.9
1989	496.5	16.1	14.7
1990	614.4	23.7	14.4
1991	798.1	29.9	16.3

Source: Land Price data is from "Transfers of Rural Immovable Property" -annual reports. Figures refer to the year ending as 31 March. The Inflation rate is computed from the Consumer Price Index. Table 90, Abstract of Agricultural Statistics 1987, and 1992.

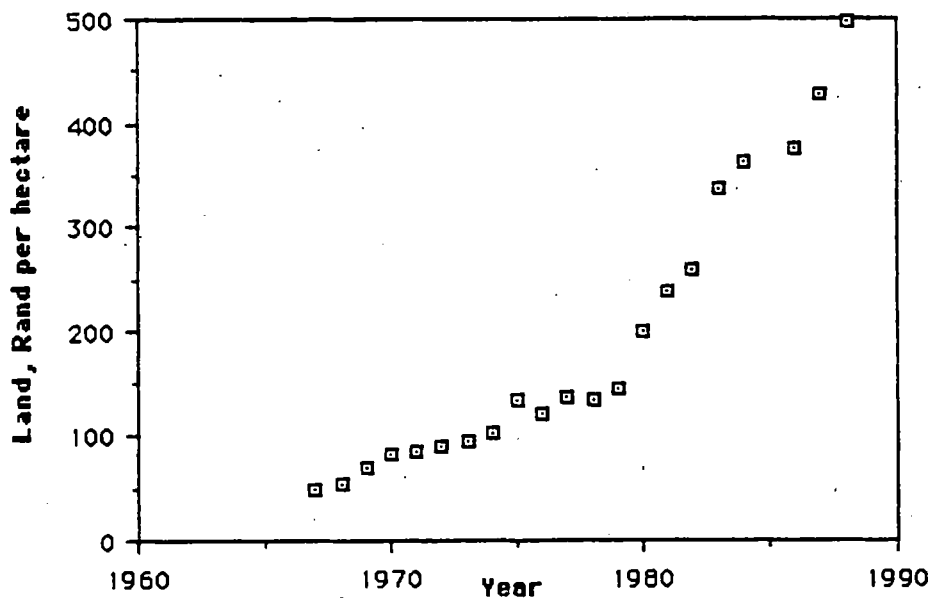
The government's preliminary explanation for the post-1980 increase in nominal land prices is that it was due to inflation.⁴⁶⁸ However, unless explained by a time lag, the inflationary explanation is not entirely satisfactory. The major rates of increases in inflation took place much earlier. The 1968 inflation rate was as low as 1.7 percent. By 1980 it had increased eight-fold to 13.8 percent. The rate of increase of the inflation rate actually tailed off in the early 1980s.

The Economic Advisory Council (1986) identified government spending on land in the early 1980s as one of the main causes of inflation in

⁴⁶⁸ *ibid*

land prices as it exerted an extra pressure on demand for land. The government bought considerable quantities of land in areas next to bantustans as part of their plans to consolidate the bantustan areas in fulfillment of the black land quota decreed in the 1936 Land Act. After 1980 ex-Rhodesian settlers from Zimbabwe also bought farmland; adding to inflationary land prices.

Figure 7.1. RSA. Nominal Land Prices: Rand per Hectare-average



Source: RSA. Central Statistical Service, "Transfers of Rural Immovable Property" Various Years

The increase in interest rates of the Land Bank raised the cost of borrowing for land purchase to the extent that in 1982 the real interest rate became positive for the first time in this period. The Land Bank nominal lending rate changed only two percentage points in the first ten years. But between 1980 and 1982 the increase almost doubled from 7.75 percent to 15.09 percent. An increase in the interest rate effectively increases the cost of borrowing and the conditions of profitability. If farming is less profitable a drop in land prices is a reasonable expectation. Moreover increased interest rates result in an increased debt burden and existing loans may no longer be serviceable from farming income; widespread bankruptcies, loss of confidence could cause an exodus and deflate the land market. The nominal figures themselves indicate a lean period in land price increases in the mid-eighties (compared to the rate of inflation and

deflated by the consumer price index) and a drop in real land prices. However, it is also true that profitability is variable in the different farming sectors and that changes in land prices in agricultural regions reflect this. These aspects are examined in further detail as well as government measures on debt relief and debt write-off which bolsters the land price.

7.1.(ii) Sectoral land price changes.

Farming stratification is an on-going phenomenon. But the distinctive feature of stratification (especially since the 1980s) has been the contrast between different farming sectors. Table 7.2. presents indices of comparative changes in land prices of differing agronomic regions. The prices of land in summer rain areas increased 250% since 1980 in comparison to the five-fold increase of land in the winter rainfall areas. Summer rain areas produce dryland grain crops and these farmers have faced the worst conditions.

Table 7.2. Indices of Land Prices According to Agronomic Region.

Year	Summer rain region	Winter rain region	Cattle grazing regions	Natal	Sheep Grazing Regions	Comb Index
1967/68	32	48	25	n.a.	35	33
1968/69	35	52	25	n.a.	32	33
1969/70	34	59	30	n.a.	36	36
1970/71	35	42	28	40	31	33
1971/72	39	55	29	46	34	37
1972/73	40	54	37	43	34	39
1973/74	43	58	44	55	34	44
1974/75	50	68	51	67	40	51
1975/76	63	86	72	72	46	65
1976/77	62	88	81	70	46	67
1977/78	76	104	85	90	49	77
1978/79	74	101	71	67	63	73
1979/80	81	99	75	74	71	78
1980/81	100	100	100	100	100	100
1981/82	133	137	108	121	109	125
1982/83	153	171	136	116	89	143
1983/84	168	223	156	166	116	160
1984/85	181	272	147	155	142	177
1985/86	184	326	171	167	154	191
1986/87	185	309	208	172	173	201
1987/88	199	389	184	193	189	213
1988/89	209	383	227	196	209	230
1989/90	222	454	263	237	241	257
1990/91	249	545	322	299	283	301

There have been regional changes in the both the level of farmer indebtedness and the relative amount of gross income which farmers use to service their loan. The level of farming debt increased as modernisation proceeded and the rate of interest has altered significantly for farmers especially as most of their short term credit is now on terms approximating to market rates. Table 7.3 gives a regional breakdown of farming units, their gross income per hectare, expenditure per hectare and the state of debt in each region. These administrative regions differ from the agronomic production regions indicated above, but approximations can be made which make comparisons helpful. For example, summer rain areas include the Orange Free State and Western Transvaal. Sheep grazing areas are principally the Eastern Cape and Northern Cape but also include districts from the Western Cape (Sutherland, Calvinia).

Table 7. 3. Farm Data according to Administrative Region.

Region	Farming Units	Total Ha '000 Ha	Average Unit Size	Gross Income R/Ha	Gross Income Rm	Total Ex penditure /Ha	Farming Debt (Rm)	Debt as % of Gross Income
A	10 480	21 105	2 014	155	3 275	150	2 273	69,4
B	7 230	21 940	3 035	38	843	34	1 010	119,8
C	10 890	11 351	1 042	212	2 403	210	2 367	98,5
D	6 680	10 371	1 553	109	1 127	102	978	86,8
E	6 240	3 958	634	537	2 127	552	1 307	61,4
F	6 080	4 530	745	468	2 118	455	1 628	76,9
G	5 080	5 086	1 001	184	936	193	805	86,0
H	3 230	1 101	341	832	916	877	722	78,8
I	6 140	3 446	561	321	1 104	286	1 086	98,4
TOTAL	62 050	82 884	1 336	179	14 849	176	12 176	82,0

Source: The Central Statistical Service's (CSS) Agricultural Survey. Most data (eg. Abstract of Agricultural Statistics) are drawn up by the Ministry of Agriculture's Division of Agricultural Economic Trends (DAET). The CSS collect a ten per cent sample. There are some substantial differences which cannot be simply explained as sampling and scaling-up errors. As pointed out in 'Effective Farming' January 1991, "There is a discrepancy of almost R5 billion between the two farming debt figures. The DAET came to a figure of R17bn by asking the banks and institutions what they were owed by farmers. The CSS arrived at R12bn by asking farmers what they owned."

The Orange Free State (OFS) and Western Transvaal show the second and third highest levels of debt as a percentage of gross income. These are the rain-fed grain areas whose land prices reflect least increase. The Northern Cape farmers are extensive livestock producers whose grazing conditions have deteriorated and who have faced a drop in the level of international wool prices. Western Cape (winter rain) and Natal are by far

the least burdened by debt but land prices have increased at a different pace. The winter rain areas produce wines and deciduous fruit for export. They have benefitted most from the falling value of the rand internationally. Natal land prices need a much more localised treatment as in the areas where companies have been buying land for timber plantations, land prices have increased five hundred to a thousand percent.

The importance of variation between farming sectors requires emphasis if policy formulation is to draw up a balance correctly between national consideration and farming sector demands. Hattingh and Hertzberg indicate the extent to which nationally aggregated data obscures differing trends between farming sectors. They compare national data on farming returns per hundred rand on investment with those obtained from a regional study of the North Western Transvaal bushveld. They also compare increases in net farming income with increases in land prices. According to their figures, between 1959 and 1979 land prices increased at an annual rate of 7.15 percent whereas farmers' net income increased at an annual rate of 11.42 percent. However, they draw attention to a rate of change within the longer term trend toward a new a different trend emerging. The data from 1973-1979, considered separately, show net income increasing by only 7.94 per year compared to an average land price income of 11.34. Further data⁴⁶⁹ on the North Western Transvaal Bushveld show extremely low returns per R100 of capital investment, indicating regional differentiation. Hattingh and Hertzberg conclude that if the rate of interest continues to increase resulting in a rate of increase in debt repayment which outstrips their rate of increase in net income it will be difficult for owner-occupiers to pay off their mortgage bonds.

7.1.(iii) Change in average real land prices

Earlier work on land price analysis concluded that increases in agricultural land value reflected adequate returns for investment in land as a capital asset. This conclusion rested on a fairly small sample and a short data period (1977-79) when agricultural profitability was generally buoyant.⁴⁷⁰ (see Chapter 4) In this section I take a longer view of increases in nominal land prices, deflate them to determine increases in real terms and examine differences in the rate of change.⁴⁷¹

⁴⁶⁹ Hattingh. H. S. & Hertzberg, A. 1980 , Table 5

⁴⁷⁰ Nieuwoudt, W.L. (1980)

⁴⁷¹ The general Consumer Price Index (CPI) was used as the deflator to calculate real land prices. While the GNP may be considered as a better indicator to use , the South

In the neoclassical sense, land, considered as a capital asset and an investment option, is expected to increase in real value as capital appreciation takes place. Agricultural economists,⁴⁷² expect farmland value (and its resale price) within a capitalist context to be substantially influenced by its earning capacity. Profits per hectare per year are considered together with the competitive long term annual rate of return on investment.⁴⁷³ For example, if there are no barriers to buying and selling land, a hectare of land from which the owner expects to earn R90 pure profit per year (when the average profit on other capital investments is 10 percent) will be valued at $(R90 \times 10) = R900$ per hectare. While land prices may alter in response to profitability conditions there is an expectation that land prices will rise as more land improvements take place.

But a distinction has to be made between the effects of productivity gains on short term profitability and land prices and longer term trends in profitability. Economic theory of land prices (both neoclassical and Marxian) suggests that within a capitalist organisation of production the average rate of profitability will affect land prices and should there be productivity improvement due to technical innovation these improvements will be capitalised into the land price. This appears to have been true for the South African maize producing sector for the period examined 1968 to 1990.

Chapter 4 examined the modernisation process and Appendix B presents a case study of the transformation of maize farming in the Transvaal. Table 7.4 deflates nominal prices and presents the real changes in land prices in the Transvaal since the modernisation process began.⁴⁷⁴ Real land prices rose sharply in the early 1970s from R78.3/ha. to an all time high in 1975 of R205/ha. This period of increase coincided with the period of most favourable terms of trade, two exceptionally good harvest years and machine purchases which offered potential economies of scale.

African agricultural economic literature and presentation of statistics consistently use the CPI as deflator and I have kept to this in order to compare like with like.

⁴⁷² for example Hasbargen's review, (1980) 'Land prices: why so high?'

⁴⁷³ Nieuwoudt, W.L. and De Jong, 1985

⁴⁷⁴ The Nominal land price data is deflated by the Consumer Price Index

Table 7.4. RSA and Transvaal Land Prices in nominal and real terms.

Year	RSA R/Ha	CPI	RSA R/Ha	Tvl R/Ha	Tvl R/Ha
	nominal		Real	nominal	Real
1968	50.0	58.9	84.9	46.1	78.3
1969	54.5	60.6	89.9	64.7	106.8
1970	68.7	63.8	107.7	76.5	119.9
1971	82.0	67.7	121.1	88.1	130.1
1972	86.1	72.1	119.4	103.8	144.0
1973	89.5	78.9	113.4	123.5	156.5
1974	96.7	88.1	109.8	147.9	167.9
1975	103.6	100.0	103.6	205.0	205.0
1976	136.0	111.1	122.4	210.1	189.1
1977	122.5	123.7	99.0	193.7	156.6
1978	137.5	137.2	100.2	206.8	150.7
1979	134.4	155.3	86.5	186.0	119.8
1980	145.7	176.7	82.5	214.8	121.6
1981	199.7	203.5	98.1	284.9	140.0
1982	237.1	233.5	101.5	328.7	140.8
1983	258.6	262.2	98.6	384.4	146.6
1984	336.7	292.8	115.0	512.2	174.9
1985	361.6	340.3	106.3	600.0	176.5
1986	364.4	403.7	90.3	608.6	150.8
1987	375.0	468.7	80.0	622.1	132.7
1988	427.8	528.8	80.7	700.5	132.5
1989	496.5	644.4	77.0	792.5	122.9
1990	614.4	737.5	83.3	985.7	133.6
1991	798.1	857.0	93.1	1273.5	148.6

Source: Central Statistical Service, (CSS) 'Transfers of Rural Immovable Property', various years. Consumer Price Index (CPI) from the Abstract of Agricultural Statistics 1990, Table 90.

The decline in real prices is at a much slower pace and coincided with the terms of trade becoming less favourable to farmers. But contrary to the indications of nationally aggregated data, real land prices in this farming area never fall to or below their earlier price. Rather the decline was halted in 1979 and the land prices in real terms level off in 1980/81. In the 1980s the average real price was R146/ha an 86 per cent increase over the price in the late 1960s. In this case the long term higher average land price would appear to reflect the real increases achieved in land productivity as a result of the modernisation process. However, it is possible that this longer term achievement of an increase in real land price will eventually be whittled away by deteriorating profitability conditions. The type of high technology farming approach which was capitalised into the land price is itself less and less economically viable; the area of grain farming is being reduced and land is being used differently.

But generally speaking, the remarkable feature of actual trends in real land prices compared to nominal land prices in South Africa is their long-term constancy. The aggregate real change of purchase price per hectare is calculated and recorded in Column 3 Table 7.4. The changes in nominal and real values are graphically contrasted in Figure 7.2. The start and end points over the 22 year period are almost equal. There are apparently moderate increases in real land prices in earlier years but in recent years real prices have fallen below the 1968 values.

Figure 7.2. RSA Land: Nominal and Real Prices.

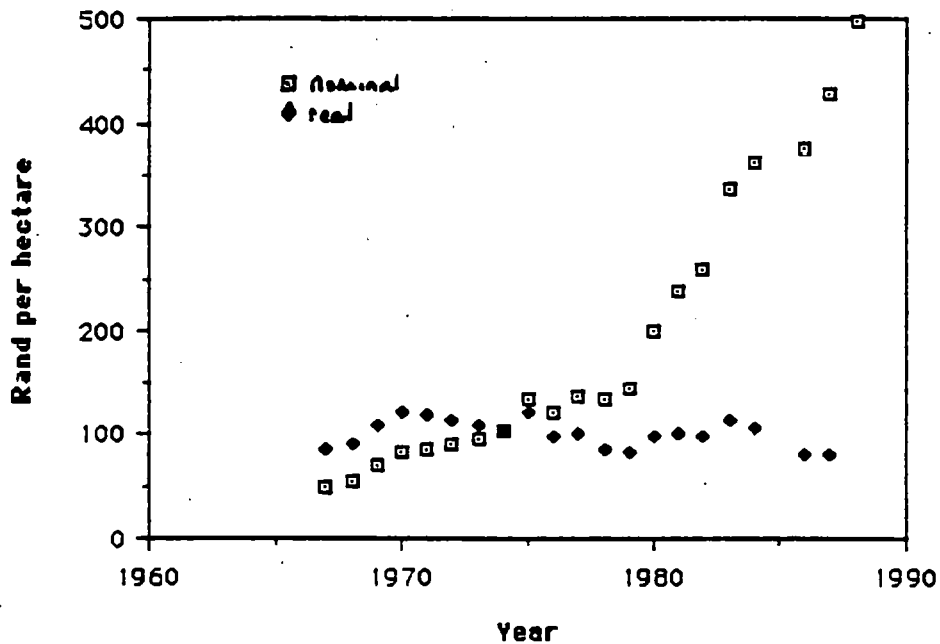


Figure 7.3. RSA Real Land Prices -smoothed.

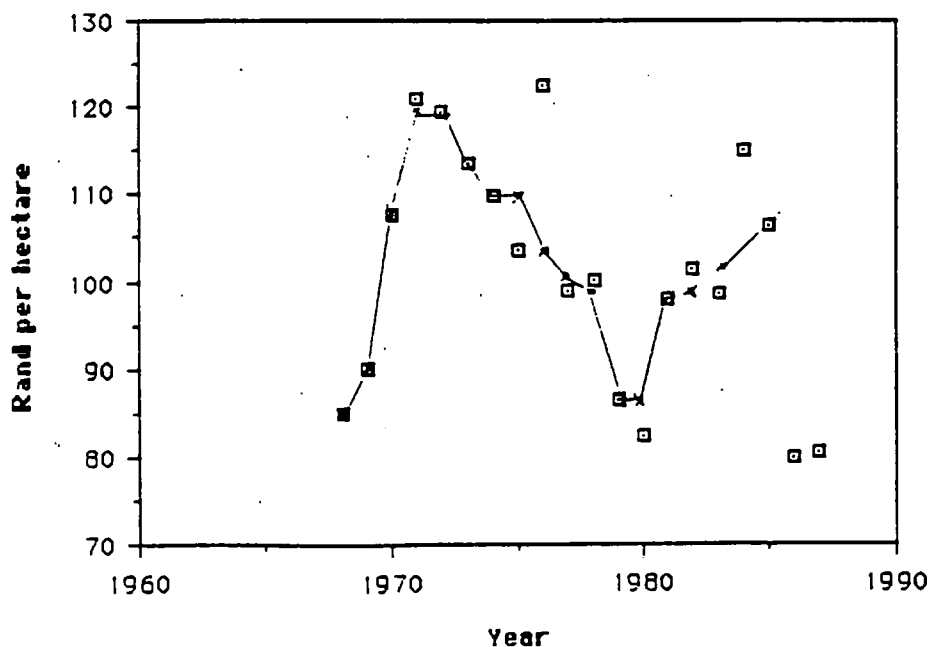


Figure 7.3 separates out the data on real land prices allowing a closer examination of variations which took place. The time series data are smoothed. Each data value was replaced by the median of three values: the value itself and the two values adjacent in time. The smoothed curve represents twice repeated median smoothing.⁴⁷⁵ Between 1968 and 1971 there was a steep rise in real land prices. Between 1971 and 1977 real land prices declined linearly with 1976 as a clear outlier. The decline continues until 1980. From 1981 to 1986 real land prices began to increase in real value and a rising trend appeared to have been reestablished but it ended with real land prices in 1987 and 1988 falling below their initial value of more than twenty years previously.

The contextual situation in the agricultural economy was far from constant during this period. It is probable that different reasons are responsible for the various changes. For example the reasons for land price increases in the early 1980s may be quite different from those taking place in the early 1970s. The following conjectures, based on a consideration of changes in the agricultural economy described earlier, would appear to explain some of the changes.

The late sixties and early seventies, signalled the advent of rapid mechanisation in agriculture. Farmers could take best advantage of potential economies of scale through enlarging their farms. The tendency for farmers to buy additional land for farm enlargement received political and financial support from the state. In the case of maize farming the data on costs, technology and size suggested (See Chapter 4) that small farms using hand technology with low yield per hectare (a low cost input/low output production system) was competitive at that level. It was thus possible for small farmers to continue especially given the price support system which was criticised during this period for the very reason that small scale, less productive farmers could afford to stay in agriculture. The increase in the real land prices, however, could offer a better option: opt out of farming, sell the land and collect the capital. Hence an increase in real land prices where there are possible economies of scale can be a vehicle to propel centralisation.

In Figure 7.3, the first period of land price increases up to 1971 declines at a much slower rate. The much higher 1976 land price appears as an anomaly. A possible explanation is the availability of funds after two

⁴⁷⁵ Marsh, C. (1988) pp. 164 -166

bumper harvests in 1974 and 1975. The lowest points of the late seventies land prices follow on sharp reduction in terms of trade (Table 4.5)⁴⁷⁶ which will have significantly influenced farmers expectations of future profitability conditions in farming, if farmers have adaptive expectations with a high coefficient of adjustment.

Real land price increases in the 1980s may have been the result of several pressures including government purchase, ex-Rhodesian purchases and cash liquidity after a best ever maize harvest in 1981/82. The demand for additional land from expanding farmers may have added to the upward pressure on land prices. After 1980 the Land Bank nominal interest rate rose as steeply as that of commercial banks. Government also lowered the subsidies on fertilisers and pesticides. Devaluation of the rand effectively increased the purchase price of imported machinery and equipment. The terms of trade declined sharply after 1975 (= 100). The average index of terms of trade for the first five years of the 1980s was only 86 and only an average of 76 from 1984-1987. These changes created a cost squeeze situation for farmers. Their options were to sell up and leave the farming industry or to try to reduce per unit production costs on their farms or to try to spread their fixed costs on an expanded base of production. For those staying in types of farming where economies of scale existed one way of spreading costs and maintain farming income was to buy additional land.

There is an apparent disjuncture between the reality of substantial short terms changes in land prices and the theory that land prices are the capitalised value of (long term) expected future rents. The South African land market appears quite reactive: two bumper harvests appear to contribute to a 20 percent real increase in price from one year to another, a sharp decline in terms of trade is followed by a 20 per cent drop in real land prices, a further farm enlargement thrust accompanied by government purchases and arrival of Rhodesian settlers contributes to a 32 per cent increase in real land prices between 1980 and 1984. Gently rising and falling land price curves reflecting longer term expectations are a far cry from the volatile jaggedness indicated by this analysis. Perhaps South Africa's volatile political situation has contributed to short term perspectives dominating over long term forecasts. One farmer who has greatly expanded his farm in Natal over the last thirty five years said he

⁴⁷⁶ Chapter 4, Table 4.5. Terms of Trade. 1975 = 100 index, 1976 = 94.9, 1977 = 90.1, 1978 = 88.5.

first bought in 1961 after Sharpeville, then again in 1977 after the Soweto uprising and again in 1985 during the state of emergency.⁴⁷⁷

Long term expectations in South African white agriculture up to the mid 1980s must have been that if the restructuring process were to continue unabated the number of farm units would decline. One could have expected a continued exodus from farming. Forty thousand farming units amalgamated with other farms in the thirty years since 1960. Of the remaining 60 000 it is estimated that approximately 18 000 units are highly productive. One could have expected the less productive 42 000 units to have been amalgamated in the next thirty years. However deteriorating economic conditions have resulted in owners with more than one unit selling land in order to alleviate debt. In addition conservative farmer resistance to the political changes have led the government to renege on its stated free-market policy.

The government's stated policy is that market forces will ensure a competitive and efficient agricultural sector even if this were to mean fewer farmers and lower land prices.⁴⁷⁸ While there has been some debt relief from government, sequestrations were anticipated. The following benefits were expected as a result of market forces being allowed to take free rein: the debt burden would be legally written off, unproductive farmers would quit the industry, newcomers to agriculture would obtain land at lower prices, financing institutions would be able to apply stricter discipline regarding finance to agriculture, agricultural resources would be managed more appropriately, agriculture would increasingly operate according to free-market principles and individual merit would be the basis of assistance.⁴⁷⁹

However, since 1990 the government has been increasingly reluctant to take a hard line with indebted farmers and the drought has now given an excuse not to do so. In May 1992 it approved a drought relief package (partially described in Chapter 4) of which the minor component appears to be direct drought relief and the major component includes not only subsidies on interest payments but also capital write off. This

⁴⁷⁷ Hanekon D, Land Affairs Desk, ANC's Department of Economic Policy, personal communication.

⁴⁷⁸ See the reference in Chapter 4 to R900 million as state guarantees and R400 million to prevent sequestration

⁴⁷⁹ RSA. (1992) Department of Agricultural Development. p5.

component of "relief" will cost R3,25 billion.⁴⁸⁰ over the next four years. An NGO has pointed out that the government's action is a racial commitment to securing the property of white farmers thus purchasing the conservative vote.⁴⁸¹ The state is in this manner sabotaging the very restructuring process to which it committed itself more than a decade ago. Moreover the government's intervention supports land prices and commits a future democratic government to double state expenditure to pay off R3.25 billion over the period 1992-1996. As land prices are being bolstered through this action it can be assumed that land prices for redistribution will be higher than should have been expected. Defending its decision (and taking cognisance of the contradiction with the stated commitment to letting market forces provide a competitive and effective agricultural sector) the Ministry of Agriculture said that without the "drought "(i.e. debt) relief package, "(1) thousands of farmers will be sequestered, (2) A sharp decrease in land prices could follow the mass auctioning of farms in single districts within a short period of time, in turn eroding the collateral security of remaining farmers and therefore their ability to obtain credit for production purposes, (4) farmers who cannot continue their farming activities will lay off workers and will add to the already severe unemployment problem. . . (6) the rural economy will be disrupted by the sequestration of business enterprises dependent on agriculture."⁴⁸² A critical view of government includes the accusation that "the state is attempting to entrench the status quo of the ownership of land for years to come, and to preclude (or make very expensive) restructuring through the market by future governments . . . leaving structural problems intact. . . (moreover) there is no evidence that the state has considered the exciting possibility of using the crisis to regenerate the rural economy through a redistribution process."⁴⁸³

7.2. The Debate over Productivity-Valuation and Market Price

In the past a major government concern has been over the ever-widening discrepancy between an assessment of the productive value of

⁴⁸⁰ *ibid.*, p7. debt relief payments will be scheduled as follows: 1992/93 Interest on outstanding balance R426 million. In 1993/94 Interest: R284 million and Capital payment R800 million. In 1994/95 Interest R142 million and R800 million Capital payment, In 1995/96 a Capital Payment of R800 million.

⁴⁸¹ Farmworkers' Resource and Research Project (FRPP) 1992, p4.

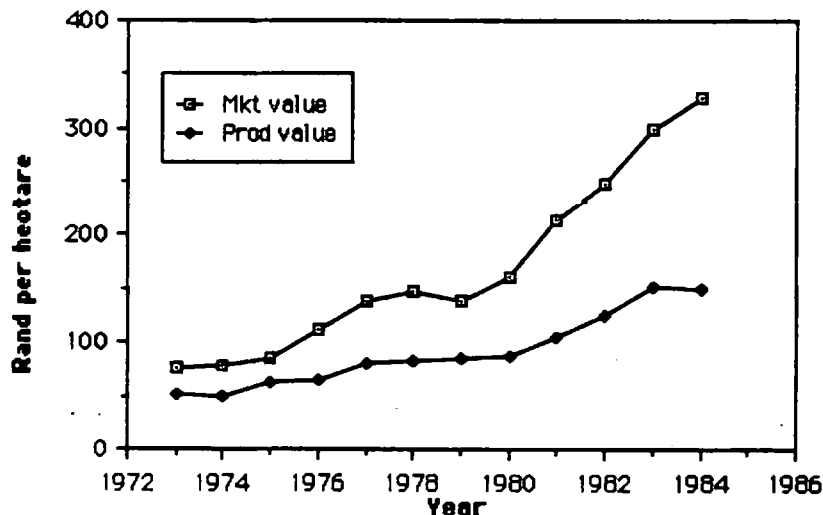
⁴⁸² RSA (1992). Department of Agricultural Development, p5.

⁴⁸³ FRPP (1992) p5.

land and its market value (see Figure 7.6.). A government commission defined "production value" as: 484

'the income yielding capacity of the specific agricultural land, against the ruling price levels of agricultural products under conditions of land-use which will assure the conservation of production resources and which will be best adapted to the environment.'

Figure 7.4. 'Changes in the Market and Productive Values of Land.



Reproduced from 'Economic Advisory Council of the State President 1986
Report of an Investigation into the Restructuring of Agriculture. Appendix C, Graph 2.

South Africa's Standard Bank agrees with this definition and alternatively describes it as "the income capitalisation approach (which) provides the best economic base for determining the present value of land. By determining present worth of net income produced under typical farming and management conditions on a property . . . the valuer's task is to convert the earning ability or income of a farm into a value estimate."⁴⁸⁵

If the net income per hectare is below the amortisation rate for that hectare then farmers become susceptible to bankruptcy. A great deal will depend on the individual circumstance of the farmer. If the land is owned and there is no debt to pay off, a low net income affects lifestyle. But if the land is bonded the net income and cash flow are more important than any long term income that the farmer might gain from selling the land and benefitting from non-taxable capital gains. But land price increases are

⁴⁸⁴ RSA Government (1970), p83.

⁴⁸⁵ Standard Bank, 1990.p2.

irrelevant to the farmer who has no intention of selling the land whereas changes in the economic conditions which alter the debt burden and/or profitability are of paramount importance. The debt burden may increase or decrease as interest rates change; price rises in inputs may in turn increase the quantity of short term lending of seasonal inputs. With the adoption of hi-tech, high cost farming the debt burden per hectare has increased because of reliance on short term loans with higher interest rates to secure the necessary inputs.

Economists⁴⁸⁶ have identified several reasons why there is an increasing gap between the productivity value assessment of farmland on transfer and the market price of the actual transaction.

(a) Horizontal expansion of existing units is no longer possible once the limitations to the land frontier have been fully reached. The expansion of production must be achieved through more intensive production. This could lead to more competition for better quality lands on which the returns to capital inputs are higher.

(b) Several farmers may bid for a piece of land coming onto the market which is adjacent or in near proximity to their existing farms. Each farmer may see the purchase of the additional land as essential to their drive to lower unit costs of production by spreading fixed costs. The competition between farmers may result in a purchase price which is above the productivity value estimate. The farmer who expects to spread fixed costs can afford to pay a market price which is higher than the productivity value estimate.

(c) Farmers who are consistently able to make above average profits will be able to afford to pay more for land than average farmers.

(d) Land prices may also increase because of demand for land purchase from persons, companies, institutions possessing surplus funds, interested in diversifying their investments and prepared to wait for delayed investment returns years later when the land is resold. South Africa tax laws provide an incentive to such investors as expenditures on land improvements are deducted from taxable income.

(e) Land prices may increase as with bids by large scale capital for land for business purposes in which the actual rate of return on the land

⁴⁸⁶ Krause and Kyle, 1970 Heady et al., 1965 Ward. 1959.

purchase is a secondary consideration. For a vertically integrated business it is possible that a 'loss' on farming operations can be used as a tax advantage when combined with the profits of another sector of the business. For instance a poultry business which owns maize farming land will firstly find it advantageous to be able to supply maize to itself at cost price rather than buying it at the commercial market price. In addition the lower profitability or even loss can be used advantageously in a combined accounting procedure to lower the general level of taxable income.

(f) Land buyers may also be prepared to pay more than the assessed productivity value of land because of subjective considerations such as amenity value and the ethos of family property.

Structural policies promoting farm enlargement are widely supported and are not just a South African phenomenon. The 'Roots of the farm problem'⁴⁸⁷ defines the issue as the need to increase farming incomes on a par with rising urban incomes in a situation of production growth. The situation of farmers is regarded as precarious because, in accordance with Engels' law, the demand for agricultural produce is 'income inelastic' so consumers tend to spend relatively less of their income on food as their real incomes increase. A further problem is one of generally declining terms of trade for agriculture; industrial prices increase more rapidly than agricultural output prices. Farmers' real income therefore deteriorates unless they are able to maintain it either through expanding their farm operation or through intensifying their production activities.

Many governments therefore actively support agrarian reform whose aim is farm enlargement. The objective is for fewer farmers on larger farms achieving a socially acceptable farm income levels in a situation of increased earnings in other economic sectors. Farm enlargement is often perceived as allowing farmers to benefit from economies of scale but farming (as reviewed in the first part of this chapter) actually has few scale economies to offer; the real benefit of farm enlargement to the entrepreneur is the physical expansion of his or her income base. Attempts by farmers to increase net income through increasing productivity may be problematic. Chapter 4 indicated that the increased capital intensity of production through mechanisation and high-tech biotechnology leads to an increase in gearing and in economic vulnerability because of the increased volatility in harvest outcomes.

⁴⁸⁷ Heady et al, 1965, pp 1-15.

7.3. South Africa's neoclassical debate over land prices.

South African neoclassical economists do not have common views on land prices. The debate as to whether the price of land is 'high' is controversial. Van Wyk is critical of market prices which are above the income capitalisation/production valuation. He finds they will act against owner-occupiers who want to make a living and pay off their mortgage from agricultural production. Nieuwoudt's concern is to measure whether land rentals reflect a market-related rate of return on land as an investment; he concludes that the rental rate of return is adequate and therefore has no problem with the prevailing market value of land prices. He and Brand both criticise market distortion which arise from government intervention, they welcome the advent of non-agricultural capital into the agrarian economy and Brand proposed that land in the bantustans be brought into the open land market to enhance the potential for development corporations to operate more successfully.⁴⁸⁸ The origins of their different approaches, outlined in more detail below, relates to different concerns over the evolving structure of ownership of agricultural land and farming resources.

Van Wyk's position is that 'the establishment of sound economic farming policy is closely related to trends in land values coupled with debt ratios.'⁴⁸⁹ He asserts that a potential farm purchaser will examine the proposed land value of the farm in the light of potential profits realisable within foreseeable economic conditions. A potential owner occupier will consider what income the farming unit will generate and the standard of living that this will support.

Van Wyk concedes that the basis of evaluation of land value can vary. Items such as estate duty, income tax or whether it is bought by the state will influence the value. However Van Wyk's preoccupation is to examine the land market and compare actual transfer prices with land valuations of the 'true economic farming value.' The Land and Agricultural Bank of South Africa uses this method in accordance with the Land Bank Act,

'The Land Bank Act provides that the value of properties shall be determined according to their fair value for agriculture and stock farming purposes, which is based on the actual production capacity of the property as a farming enterprise. in addition, this valuation is related to the period of

⁴⁸⁸ Brand, S.S. 1983

⁴⁸⁹ Van Wyk, C>G> 1967

repayment, which normally extends over a long period viz. up to 35 years and is not based on transitory or temporary factors which are caused by inflated values resulting from speculation, personal interests or a fluctuating demand for particular products.⁴⁹⁰

Van Wyk supports the underlying intention of the legislation to enable farmers, with a modicum of working capital and ability, to earn a reasonable living for their families while securely paying off their debt over an extended period of time. This view was the basis of an argument in favour of low mortgage rates for land purchase irrespective of trends in market interest rates. The Land Bank adheres to this valuation principle. Any difference between the Land Bank valuation and actual purchase price is not taken into account when a mortgage is granted. The Land Bank loan is limited according to its own valuation. If the market price differs farmers must seek alternative credit sources to make up the difference.

Van Wyk compares Land Bank Valuations and actual transfer prices for the period 1912 to 1965. Except for two years, 1914 and 1935 the Land Bank valuation is lower than the market price. In the post second world war period the gap between the two values widens; there is an increasing disparity between the Land Bank's approach and the price the purchasers are prepared to pay.

Van Wyk is highly critical of this trend. He calls this sharp price increase and widening gap 'economically unjustified'. The phenomenon is attributed to the ready availability of credit and scarcity of agricultural land. He blames creditors other than the Land Bank for accepting 'divergent norms of evaluation of farm properties which have resulted in 'unrealistic rises in land value' and an 'attendant debt ratio' which he predicts will be the cause of financial problems.

Nieuwoudt takes issue with Van Wyk et al who use this particular method of 'productivity valuation' which leads them to assert (mistakenly he thinks) that farm land is overpriced. Whereas Nieuwoudt agrees that the value of a fixed asset can be expressed as the present value of a future rent stream generated by the asset, he insists that other factors have to be included such as allowance for technological advance, inflation rates as well as a subjective discount due to any apprehension about political uncertainties. Nieuwoudt's modification of an algebraic constant growth

⁴⁹⁰ *ibid.*

model as a method of assessing the return on farm land in relation to its price was briefly reviewed in Chapter 2.

Using a survey of 843 farms Nieuwoudt calculates the percent rate of return on the rentals as an average 5.4 percent. Then taking into account the nominal rate of growth of farm income at 8 percent he estimates that the return on investment in farm real estate is actually 13.8 percent. This is a higher investment yield than on stock market investment which Nieuwoudt sees as fully justified in light of the relative immobility of financial resources tied up in land. Mortgage rates for the same period of the study (1977-1979) were 7 percent for land Bank loans and 9.72 percent from commercial banks while the inflation rate was an average 11.8 for the same period.

Bank loans with bond rates which are lower than the inflation rate are conducive to increased demand for investment in land. A subsidised interest rate thus increases demand, exerts an upward pressure on prices and the subsidised interest is capitalised into the new price. The whole purpose of the subsidy is defeated. Nieuwoudt ironically comments, 'It has even been suggested that land prices should be controlled because of negative side effects of high land prices, which is an example of where one form of intervention in the form of subsidised credit calls for more control.'

Brand sympathised with this evaluation of the shortcomings of state intervention in his paper 'Structuring of the South African Agriculture in a Free Market economy'.⁴⁹¹ As he understands it, governments may have several objectives they want to achieve: food security and so on; maintaining the numbers of owner-occupiers on the land is included. Government pursues these objectives through intervention in production conditions, marketing and finance. He agrees with Nieuwoudt that some of the financial intervention may work against the original intention. He writes that the conditions of agricultural finance together with 'aspects of the tax system and pricing arrangements could possibly have contributed to a greater degree of mechanisation in agriculture, to a more rapid increase in the debt burden of the agricultural sector and to a higher concentration of agricultural assets than may otherwise have been the case.'

He advocates 'revising the arrangements to bring them more in keeping with free market principles,' especially in relation to agricultural financing. Brand is at this point in time one of the few economists who

⁴⁹¹ Brand.S.S.. 1983, p.5

addresses the integration of black and white agriculture in a unitary market system. In this respect Brand makes specific reference to the absence of a land market in the 'bantustans' which he refers to as the 'national states'. In his view the "agricultural financing function is closely related to the system of land occupation in agriculture and the prevailing (again so called) traditional systems of land occupation provide no or little provision for the functioning of a market in agricultural land.' This is regarded as yet another unfree market impediment which is to the detriment of capitalist agricultural development. Brand suggests that the rules of 'land occupation' in the 'national states' should be changed. Among other things this would permit development corporations to operate more successfully.

The complaint that 'land prices are too high' and that 'prices are higher' 'than the land is worth'⁴⁹² appears to be rooted in support for owner occupancy of family-based businesses. The protagonists are therefore critical of rising land prices, rising needs in the levels of working capital which increase the minimum level of start-up capital and hinder or make impossible the entry of many would-be new farmers, hastening the exodus of others, contributing to the decline of numbers of farmers on the land - their place being taken by non-agricultural capital.

Support of owner-occupancy was previously fostered by the government Commission of Enquiry into Agriculture⁴⁹³; 'the participation in agriculture of companies that are strangers to agriculture, has in recent years increased to such an extent as to cause concern and therefore deserves serious attention.'

This stance has been fairly and squarely criticised.⁴⁹⁴ 'If there is indeed such an increase in land-ownership by non-agricultural companies, it should rather be welcomed from the point of view of alternative financing of capital investments. If non-agricultural companies can farm more economically and more scientifically than private farmers, it is surely not economically rational to discriminate against them.'

Land price data reflect prices at which transfers are taking place. It indicates the price which successful bidders are prepared (or have the ability) to pay. It appears there are four categories of land buyers; (a)

⁴⁹² Van Rensburg, 1984, p

⁴⁹³ RSA 1970

⁴⁹⁴ Joubert & Groenewald, 1974

existing farmers who are buying additional land to expand their farming base, (ii) new individual entrants who have acquired capital from non-agricultural sources and (iii) the state purchasing land to make up black land holdings to 13 percent especially in areas adjacent to existing bantustan boundaries and (iv) companies purchasing land selectively, land for timber and land in vineyard areas being particularly favoured.

One regional analysis of farmland purchase indicates that in the first half of the 1970s the overall increase in average farm size in the region was the result of farms being bought out by neighbouring better-off farmers. But since 1984, the increase in the number of farming units indicates that a subdivision process is numerically outweighing the farm enlargement process. Government purchases and ex-Rhodesian settlers also contributed to some pressure on prices in the early 1980s. The role of agribusiness in farming has increased in recent decades. In 1963 only 1.1 percent of the total number of farm units were owned by registered companies covering 2.8 percent of the total available area.⁴⁹⁵ 20 years later registered companies owned 9.6 percent of the units, a much greater percentage of resources and earned a more than proportionate share of the income.⁴⁹⁶

Companies such as SAPPI and Mondi have indicated that they do not expect to make capital gains from land value increases. They are buying the land to diversify their investments and make a profit on the farming operation. If land prices increase only on a par with inflation they will be satisfied.⁴⁹⁷

In the Stellenbosch vineyard area in 1990, union officials report⁴⁹⁸ that the Anglo American Corporation bought vineyards at an average cost per hectare of R20 000. Neil's study of the Stellenbosch area between 1977 and 1985 indicated that transfers of farmland involving registered companies accounted for more than half the total area of farmland transferred and resulted in a net increase of company ownership.

Ignoring capital gains from land may be economically possible for large companies. For prospective individual owner-occupiers who have only modest amounts of investment capital available, it would seem increasingly difficult to buy farming land. Mackenzie of the DBSA estimates

⁴⁹⁵ RSA, 1972. Commission of Inquiry... (2nd Report) pp25-26.

⁴⁹⁶ Cooper, D. 1987, citing Hattingh's 1983 study published in 1986.

⁴⁹⁷ Personal communication with Peter Derman of CORD, Natal and David Cooper, Environment Development Agency, Johannesburg.

⁴⁹⁸ Field interview with FAWU official, Stellenbosch, June 1990

that individual owner-occupiers in the livestock sector need to be able to cover 80 percent of the land investment and working capital in order for the income to cover the annual debt repayment and permit a modest standard of living.⁴⁹⁹ The implications for a market orientated land reform whose intended beneficiaries do not have capital are obvious.

7.4. The Land Market and Implications for Land Redistribution

The deteriorating profitability conditions in farming, the bolstered land price and the gap between the market price and the estimated productive value deserve further consideration in relation to land redistribution prospects. In this section I examine the implications of the land market in relation to a land redistribution programme and explore the possible consequences and limitations of an affirmative action programme which offers access to land at subsidised prices.

There have been fairly volatile changes in the prices of commercial farming land as the result of changing profit levels, availability of funds after exceptional harvests or debts incurred by droughts. In an economy with high inflation rates, land prices may increase more rapidly than the inflation rate as those with money want to buy material, resaleable, items instead of keeping their paper money in the bank. Changes in political systems may also affect land prices because of the expectation of policy changes. But whatever the variability of agricultural land price, its very existence and its level create a barrier to entry into farming, and would need to be fundamentally addressed in any new policy seeking to redress the historical national land grievance.

The differential between the Land Bank valuation and its purchase price present further difficulties. Extending credit policies to black farmers may simply be untenable. The current high rates of interest on nominally high land prices result in a high level of debt servicing on any newly purchased land. For example a piece of maize land bought at R700 per hectare⁵⁰⁰ with a bond interest rate of 20 percent per annum requires a R140 payment. The average estimated maize yield per hectare was 1.98 tons in 1988, and the average cost for the production and marketing of maize was calculated at R341 per ton or R675 per hectare but this calculation does not

⁴⁹⁹ personal communication

⁵⁰⁰ Statistical News Release P1141 (1989), p2, Average price per hectare of land for transactions in Transvaal in the 1988/89 farming season.

appear to include a management fee.⁵⁰¹ The net producer price for best grade white maize was R258 per ton in the same year, and R246 per ton for best grade yellow maize.⁵⁰² In an average production year, producing only best grade maize a farmer would have received R675 and paid out R341 in costs, R140 for the bond payment, thus remaining with R194 to cover management and saving for future investment. In a drought year when production falls as low as 1.1 tons per hectare⁵⁰³ gross income would be reduced to R275. Even the immediate production and marketing costs would not be covered (1.1 tons at R341 per ton equals R 375). The farmer is left with carry over debts on operational expenses, and unpaid mortgage bond and no living income. At prevailing free market land prices, rates of interest and declining terms of trade, and crop unpredictability, it is likely that black farmers without start up capital would probably suffer debt servicing problems.

South African agricultural land prices have been volatile and extremely vulnerable to the swings and roundabouts of the capitalist economy. The last thirty years in the history of white commercial agriculture are marked by a strong centralisation process which has fundamentally altered the structure of the farming economy. Prevailing land prices and state policies favour large scale farming units. The economic non-viability of a substantial number of white farmers is testimony to this. If there is to be a realisable potential for a different agricultural economy which supports long term, economically viable, environmentally sustainable, rural communities of smaller scale farmers (whether black or white) it is not simply the racial land-ownership structure which would need to change.

7.5. Examining the proposal of subsidised access to land.

Blacks demand that land should be returned as part of a reparation and restitution process. However land redistribution must also contemplate not only the return of lost lands but also the need to respond to the present and future needs of the landless. The state may acquire and make it available to beneficiaries on different terms. The focus of this section considers only one proposal, i.e.. subsidised access to land, discusses possible

⁵⁰¹ Ortmann, G.F. & Rask, N. (1988) Appendix 2, p23. and they did their calculation in USD. I have used 2.7 Rand to the US dollar as a rough conversion rate to their calculation.

⁵⁰² This excludes prices of bags.

⁵⁰³ The 1982 average was as low as 1.01 tons per hectare.

shortcomings and highlights the need for institutional arrangements to sustain an enduring land redistribution.

Currently there is no regulation of the exchange price of agricultural land. Up to 1990 the free market in land effectively only operated in the "white" agricultural areas. Black tenancy and black land purchase in former "white-only" areas are now permitted. In so-called black areas the continued "communal status" impeded the marketability process. However black access to "white" land through the free market is meaningless for the millions of landless blacks who do not have capital. In fact the capital requirements to maintain solvency status are high for entrepreneurial farmers. DBSA employees have commented that producers, (as a rough and ready yardstick measure) need to have 70-80 percent of their capital investment paid up in order for production profits to finance the bond repayments of the remaining 30 percent.

The cash flow crisis of farmers, their inability to borrow funds for land purchase and generate cash for repayment from production activities, is extremely pertinent to the land reform debate. Whereas the lending practice on the housing market offers high percentage bonds according to income, this is not feasible in relation to the agricultural land market if repayment depends on productive income of farming activities on the very same land.

In Sweden this type of problem emerging from the gap between the market and productive valuation of the land has been avoided. Government regulations⁵⁰⁴ on conditions of access (controlling who had the right to buy) were further extended to regulate the price at which land changed owners. The price agreed upon between the seller and potential buyer was subject to state scrutiny. The state's concern was to avoid speculation in the agricultural land market and also to check that the land price was 'economically viable' in keeping with the land's productive value. In this way the new owner would be able to cover bond repayments through average production levels. Sender points out that productivity valuation, although conventionally used, is a misnomer.⁵⁰⁵ More correctly the valuation is a cash flow calculation, the capitalised value of land according to farming income distinct from physical yield.

⁵⁰⁴ The Land Acquisition Act, SFS 1979:230, Sweden, is of great interest for the terms it sets out on who has a right to acquire land and at what price.

⁵⁰⁵ Professor John Sender, Economic department Witwatersrand university, Johannesburg, South Africa, participant observation notes, ANC/DBSA discussion on regulated land markets. August 1991.

One response to the lack of capital and market price/productive value gap problem is to reaffirm that South Africa's eventual popularly elected government must undertake responsibility to redistribute land in the form of grants. In the absence of widespread expropriation, the speed of a redistribution process will depend on the availability of funds. The new South African state might also acquire land for redistribution in the form of land grants and/or act as a facilitator of transfers (possibly on special credit terms). Furthermore a regulated land market⁵⁰⁶ would promote longer term rural community stability and economic viability; a complementary taxation package could help to make sure that easy land access is tempered by measures to secure a responsible use of resources.

Some South African agricultural economists argue that market regulation is not necessary.⁵⁰⁷ They maintain that the agricultural land market has not worked in the sense of market prices being relative to productive value because of a series of factors (such as subsidies) which were politically motivated. Recently, following the lifting of many subsidies, prices have fallen significantly, as much as thirty percent in Eastern Cape. Hence the gap is narrowing. They forecast a continued narrowing of the gap and disappearance of the problem posed: the logical conjecture is that farmers will in future be able to finance the bond repayment on agricultural land purchase through productive activity.

If this does not happen very quickly it is suggested that an affirmative action programme might include making land available to blacks at a subsidised price.⁵⁰⁸ It has been suggested that land should be made available to blacks at a price reflecting the productive value of the land (i.e., that which can be amortised from the income yield of the average production of that land). However the outgoing (white) farmer should receive the full free market value of the land. It is proposed that the state should pay the difference between the price payable by the subsidised beneficiary and the market price demanded by the farmer.⁵⁰⁹ The

⁵⁰⁶ ANC Land Commission. 1990. The ANC has called for the need for communal tenure to be respected where "communities" decide democratically that they do not want privatisation. Their proposal for a mixed economy should permit such mixed property forms. They note the need for innovative credit arrangements for producers on communal lands.

⁵⁰⁷ Vink, N. Deputy Manager, Policy Analysis Unit, Development Bank of Southern Africa, seminar discussion 1991.

⁵⁰⁸ The government 1991 Land Reform bills proposed special credit facilities.

⁵⁰⁹ DBSA employees have proposed that government foot the bill for the difference between productive valuation and market price.

underlying assumption of this proposal is that the free market value of land should continue to operate irrespective of its divergence from "productive valuation". This divergence is seen as something of the past; expectations are that the gap will narrow. Past divergence is attributed to government intervention through subsidies, interest rates, taxes and price fixing. Land prices were said to have fallen in various farming sectors recently reflecting changes in profitability conditions. However the government drought/debt relief package is, in part, intended to bolster land prices. Furthermore we should take into account the influence of a "sellers market" as black demand for land combined with state assistance in the interest of affirmative action will tend to push up the asking price.

But irrespective of this conundrum there are some even harder questions to be addressed on the issue of an integrated non racial land market. A unitary South Africa implies a dissolution of borders with implications in terms of non racial transferability. The issue raised so far relates to access to land, and if people are going to pay, its price. The problem raised refers to the racial inequality of access to capital. As pointed out, white farmers need to be able to put down seventy percent of capital outlay for production activities to cover a thirty percent bond. The proposal of access at a subsidised price tries to overcome this problem. It is a partial adoption of the principles of Sweden's regulated land market where exchange price is regulated by profitability and pay back considerations. However my contention is (leaving aside a prior argument about whether beneficiaries should pay anything) that this proposal has longer term implications which will defeat its original objectives.

Sweden's regulated land market hinged on the principle of identifying socially average production norms. Swedish land valuers of County Agricultural Boards work with a book of production tables indicating production norms. Land in a certain area, of a certain rainfall type and on a certain gradient with a certain rainfall will achieve a average yield X of product Y. The above average farmer can be expected to produce $X + 0.5$ tons and so on. The point is that the Swedes can identify a "socially average production norm" and consequently they can also identify the expected social norm of profitability on a farming operation which they use as a guide to their market regulation.

But even if South Africa devoted the time energy and skills to produce sufficient work on land grading it would be impossible to adopt the Swedish regulatory mechanism as a general tool. Quite simply, the

apartheid legacy has ensured that no one such "socially average production norm" exists. It may be possible to try out the principle on white farms - but essentially - the idea of a norm is class based and not racially based. An extension of the discussion in Chapter 4 on differing production functions among Indian peasantry determined by availability of land and capital suggests that perhaps one could identify an average norm for West Bengal poor peasant and similarly a different average norm for its middle peasants, again different to that of its rich peasantry and so on. In South Africa the co-existence of differing production functions is circumscribed by the institutional barriers to land marketability. In the absence of such barriers the different production functions on which white and black farmers now operate could have fostered land transfers from blacks to whites.

Awareness of differing production functions provides a framework in which to consider some of the implications of affirmative action proposals. One case study which provides a basis for reflection is the Taung Community.⁵¹⁰ The Western Transvaal, hosts a small portion of Bophutatswana. Taung district is the Bophutatswana portion of the Valhaartz irrigation scheme built in the 1930s. Some 2000 black families used to have 1.7 hectare plots but in the mid seventies the state's ambition to foster a black entrepreneurial farming class resulted in 411 farmers being given access to between 7-10 hectares. The state funded agency Agricor provides a plan to each farmer through the intermediary administrative body known as Lesedi cooperative. Agricor also provides supervisory extension assistance through secondment of its employees to Lesedi. Land is tractor ploughed by contractors and the farmer's account at Lesedi is debited. Herbicides are aerially sprayed- again on debit to each farmer. It is obligatory for all output to be marketed through formal channels.⁵¹¹ There is little opportunity to demonstrate entrepreneurial ability and productivity extremely low. The project now has an accumulated debt of R37 million of which the farmers say they will accept responsibility for only 20 per cent.

Taung Irrigation project is now on the threshold of its third restructuring. Consultants, who engaged in extensive discussion with the farmers (but not with the remainder of Taung's landless community), suggest that further restructuring should select only the best farmers to

⁵¹⁰ Author's notes taken from work on Taung project.

⁵¹¹ But the consultants note that informal marketing has reached "unacceptable levels" thus indicating some entrepreneurial spirit exists after all!

operate on a truly entrepreneurial basis including the transformation of their land access to saleable freehold status. Landholding should be determined according to demonstrated ability and future developments can be accommodated by sale or rental transactions. Current estimates indicate that according to demonstrated production ability these farmers might in future manage to earn R725 per hectare annum but only R170 per annum per hectare if only 80% of targeted yields are achieved. The longer term financial prospects for the scheme are generally precarious. The pivot system cannot be replaced by new pivot equipment at the end of its current life because the above income levels do not permit savings for replacement.

Meanwhile the white Valhaartz farmers operate a different production function especially in relation to managerial capacity. They pursue a three crop per two year farming plan. They pay better wages rates than the Taung farmers to make sure they have workers at the most optimal time. The land price in Valhaartz is R6000 per hectare or R500 per year's lease.

The consultants assumed that restructuring should begin from within the group of 411 farmers (while acknowledging that there is some dormant unresolved issues about dispossession which occurred during the last restructuring) Most of the 411 farmers wish to stay in the scheme. They would be looking a gift horse in the mouth if they decided not to stay given the conditions. They are being offered a probable big debt write off, a special deal on land purchase and rents, and privatisation of land (in their favour as existing land users) which will allow them privileges in the future.

A subsidised purchase price is under discussion. Whereas Vaalhartz land sells for about R6000 per hectare and rents are about R500 per annum, it is argued that Taung prices should be reduced, considering affirmative action and economies of scale, to R1200 and R150 for purchase and rentals respectively.⁵¹² But leaving aside any debate about the prices indicated, the general principle being argued is that in the interest of affirmative action there should be special economic conditions for land acquisition by blacks.

One of the main problems with a price subsidy which makes land available at lower than market price, is the issue of marketability in the subsequent non racial free market. For example if Shepard Kujane were to

⁵¹² "economies of scale" are asserted rather than demonstrated by any data.

buy his ten hectares now at R1200 there seems to be nothing to prevent his enjoying a superb windfall in two years time when he may sell at R6000.

If the issue of affirmative action (implying land access at a lower than market value price) is to be pursued there needs to be some forward thinking on conditions of resale. The following facts would have to be taken into account:

(a) Blacks are historically disadvantaged. Arguments can be advanced in favour of affirmative action in terms of land acquisition training and so on. And this would take time.

(b) Technically, black farmers, for some time, may experience some difficulties achieving the same production function as white farmers (at present even if capital access were to be equalised the technical training and managerial skills are uneven)

(c) If the land market is transformed to one of free exchange within a unitary, non-racial, South Africa then the possible outcome of (a) together with (b) is that blacks may then find that their best economic options is to rent or sell their land (to whites) and enjoy a windfall.

(d) If whites buy this land (and it is this group which for historical reasons has the capital) the implication is that in a few years time the racial land division could in fact be worse than the current 87:13 division.

A protective time period or locked-in ownership scheme will be required to ensure that historically privileged white farmers operating a superior production function cannot, in the short term, buy out blacks who have acquired subsidised access to land through land reform. Jersey and Switzerland provide examples of dual land markets which were created in order to protect nationals' access to land and housing from the unfettered demands of foreigners. Britain's council housing scheme, Harare's subsidised home-owner construction scheme⁵¹³ offer other examples of state protected lease and purchase schemes which operate in parallel to the private capital market.

As an overall conclusion it can be said that agricultural land prices in South Africa are unstable; there are short term responses for such diverse reasons as bumper harvests and political upheaval. In the last

⁵¹³ Potts, D. 1991.

decade the overall tendency of real land prices was to fall, but government interventions on debt write off are presently supporting the land market. In fact the governing National Party is currently committing the future government to a double state expenditure (a) it has committed public funds to debt write off in the period 1992-1996 and (b) government purchase of land for redistribution may be expected to take place at higher prices than if market forces had been left to play themselves out and therefore the gap is likely to widen again.

In relation to the beneficiaries, I have emphasised that class stratification, which has a racial character in South Africa, implies that producers operate on widely differing production functions even under the same agronomic conditions. Furthermore my earlier analysis clearly indicates that some expectant beneficiaries cannot afford any purchase of land under any terms. For them, the main purpose of land use is to ensure their physical survival through the production of food or crop sales whose income will provide other basic necessities. This analysis indicates the need for different systems to operate in parallel to one another as part of an overall development strategy.

Chapter 8. The Case for Land and Agrarian Reform: a development strategy supported by state intervention.

Rural social disintegration is a fact in South Africa. The rural population lives off wages to buy food; they do not produce it. Employment dynamics are, therefore, the determining factor in preventing poverty. None of the political interest groups has yet presented views of agricultural restructuring which discuss the role of agriculture in the economy, its possible contribution to reducing poverty levels and its backward and forward linkages with other economic sectors.

Rural poverty may continue unabated with marginalised communities requiring social welfare expenditure creamed off from surpluses generated in other sectors. I submit, however, that there is an alternative socio-economic growth strategy in which rural communities could participate and contribute to a macro-economic growth path. The investment balance between sectors is a matter for serious debate. Resources required for the development of rural areas will be in severe competition with resources required by the urban based manufacturing industries which are regarded as the driving force of a growing economy. However, economies which have successfully used the development of manufacturing as a growth strategy have only done so while developing agriculture to secure a domestic market for their nascent industry, to supply inputs and make a contribution to securing foreign exchange needed for manufacturing restructuring. In this case the small agricultural commodity producers are no longer a residual factor in a growth plan but an integral part of a strategy to achieve such a plan.

Black and White farming history in South Africa provides sound testimony for the effectiveness of state intervention in pursuit of a designed policy. The profile of the current agrarian economy is remarkably different from that which would have emerged within the framework of a free market. But if free market principle were to be adopted now, the inheritance of inequitable racial access to capital and skills, would entrench the status quo in land ownership and market power. The history of tenure systems also provides a rich and diversified practice; these should be considered carefully and their operational flexibility identified as a strength to be built on. The denigration of community based tenure systems by the National Party government and its proposal to "upgrade" these systems to a freehold basis fails to appreciate both

the social and agronomical benefits which may accrue to these systems and which should be further explored and encouraged.

Black South African rural communities at present are neither economically nor ecologically sustainable. Farming is problematic too for a large proportion of the sixty thousand white commercial farmers. It is obvious that a long term reorganisation of agriculture is required, one that makes more sense in terms of land base and rainfall, people's needs for work and an economically viable and sustainable rural life as well as considerations of linkages with the manufacturing industry.

While a free market economy cannot achieve a reversal of the apartheid legacy, nationalisation also has severe limitations. The state's most effective role is to facilitate; it can set in place legal and economic mechanisms, training programmes etc. which favour transformation in a certain direction. But again the most appropriate laws and available benefits can become completely ineffectual unless there is strong rural political organisation which is aware, and makes use, of the legal and economic tools to implement land reform in practice. This final chapter reviews some possibilities for (1) state facilitation to provide a legal framework and a taxation model which favours land redistribution and (2) the need for flexible policies in relation to tenure and land marketability to respond not only to different individual aspirations and needs but to also promote a viable, sustainable agrarian economy.

8.1. Legislation and Taxation Policies to favour land redistribution

8.1.(i) Legislation

In many countries land enjoys a special economic and political status and is not viewed as equivalent to financial and other capital. In Canada for example land is excluded from the general protection of private property clauses in the constitution. The proposals advanced by lawyers and activists with a long history of involvement in South African land struggles are innovative and take special countenance of inherited reality.⁵¹⁴

⁵¹⁴ Budlender G and J Latksy (1990), Claassens A (1991)

It has been proposed that land should be given a special status in the constitution. Of special importance in relation to new legislation which may accompany the forthcoming repeal of the Land Acts, is a proposal which is not wholly based on current legal title but will lead to a legal recognition of de facto land rights. Many black South Africans in bantustans have 'certificates of occupation', or are labour tenants who have farmed land for generations. These categories have no title deed claim to land but, in any case, for many victims of forced removals such deeds did not provide security. It has been suggested that one component of a land reform programme should be the recognition of de facto rights. This requires laws which recognise land rights based on factors such as birthright, inheritance rights, and rights based on occupation and productive use of land.⁵¹⁵ The ANC favours a Land Claims procedure to adjudicate conflicting claims.

Further legislative changes are required. The law prohibiting subdivision of farms is now inappropriate. And much more stringent laws are required to control land use to ensure the best, safest, and most sustainable use of land; at present prime land is being put into forestry with negative consequences in terms of job loss and water availability in neighbouring farming areas. Erosion is a grave problem and there has been serious chemical abuse by farmers which affects people, land and water.

The issue of abuse involves a wider consideration of land expropriation according to predefined public interest criteria.⁵¹⁶ This must include criteria in a Land Acquisition bill containing ground rules for compensation and the identification of beneficiaries. Public interest criteria are sometime limited to land needed for provision of public infrastructure i.e. roads, hospitals, - airports. In some countries public interest criteria have included land ceilings i.e. a rule that one person should only be allowed to hold a limited land area. Under-utilisation of land may be used as another criteria for compulsory acquisition. Failure to comply with land regulations on environment or subdivision provide further criteria. Corporate or foreign ownership may be also be subject to censure. An innovative suggestion for

⁵¹⁵ ANC Land Commission Discussion Document, February 1991 and Land Claims Court Working Group. 1992.

⁵¹⁶ A more detailed exposition of public interest criteria and the experience of their application in various land reforms is to be found in Dolny H & H Klug forthcoming, "Legal Support and Economic Regulation for an Effective Land Reform." South African Review 6, 1992. Ravan Press, Johannesburg.

South Africa, has been the inclusion of the criteria of failure to comply with labour laws as a reason for expropriation. This is prompted by horrific incidents of labour abuse. However, apart from cases such as South Korea where the imposition of land ceilings greatly affected land redistribution, the more common experience is that land acquisition according to public interest criteria is generally not so significant; the ability of the landed classes for evasion has, more often than not, rendered the provision ineffective.

8.1(ii) Taxation

There are three tax innovations which could be introduced into the South African tax system which would assist the objectives of a labour absorbing redistributive land reform. A progressive land tax could be introduced; the more land owned the higher the tax rate to be paid. Those who defend the use of a progressive land tax in a free land market system argue that the price of land would drop because of the tax. Furthermore if the tax increased steeply according to the size of the landholding, owners would more readily consider selling a portion of their land. By extension, the increase in marketed supply should (the demand curve remaining equal) cause land prices to fall. The World Bank supports the land tax as a major land reform tool in Zimbabwe. A land tax has been proposed as the main avenue for Philippine land reform; Brazil has a progressive land tax in place.

The real question is, "Would the land price fall low enough so that poor people would be able to buy land at the new price levels?" Binswanger and Elgin⁵¹⁷ consider that the truly poor are unlikely to benefit from price falls due to a land tax; they would still need equity to buy land, equity which they do not have. Their prediction is that a land tax alone only benefits the middle strata. They refer to Brazil as an example of farmer ability to avoid taxes. Thus land taxation as part of a land reform strategy has not yet been a success.

Nieuwoudt of University of Natal is fairly dismissive of the introduction of a land tax in South Africa;⁵¹⁸ a major objection is the administration cost. On the other hand Nieuwoudt points out that a positive feature of a land tax is that, unlike a profit tax, it is fixed whatever the production and profit levels and does not provide a disincentive to produce more.

⁵¹⁷ Binswanger, H. and M Elgin. (1988)

⁵¹⁸ Nieuwoudt W. L. (1987)

In my view in spite of possible evasion, land taxation may be a helpful component of a land reform strategy. Its purpose would not be to bring down land prices⁵¹⁹ (as these would hopefully be regulated) but (i) to generate state income to finance land reform and (ii) to encourage large landholders to put land up for sale. This is an important alternative to a system of retention ceilings. Even if large land holders show great efficiency, the political objective of redistribution may require that the criterion of efficiency is not the only consideration.

Progressive taxes on the transfer of farming property are usually discussed within the context of capital gains. Capital gains would hardly occur if there were market regulation to ensure that land prices adhere to the estimated productive value of the land. Current tax regulations are extremely favourable to the intergenerational transfer of capital and wealth; the Margo Commission's recommendations, which were accepted, in principle by the government, are even more favourable to the rich than in the past.⁵²⁰

Land redistribution can be assisted by a progressive scale of death duties which encourages the heirs of large estates to sell a portion. This method of encouraging a wider landownership has been implemented with some degree of success in the United Kingdom. I would propose the adoption of this policy in South Africa as a practical and inexpensive component of a land reform programme.

With regard to taxing capital goods in agriculture the Margo Commission argued that " . . . a country such as South Africa, where capital is a scarce production factor and labour is plentiful, is justified in taxing the use of capital quite heavily."⁵²¹ However the tax laws operating in South Africa for many years, contrary to the logic of the above statement, have actually lowered the cost of purchase of capital goods especially in agriculture and mining. In both these sectors, the writing off of 100 per cent of capital expenditure was allowed i.e. profits used to purchase any capital goods

⁵¹⁹ Any projected land price reduction in South Africa if a free land market were to remain is possibly offset by the Repeal of the Land Acts as can be predicted to shift the demand curve as black South Africans act to satisfy their land hunger.

⁵²⁰ Margo Report (1988) p25 introduces the idea of a uniform flat rate of 15%. "The proposed change holds great advantages for estates with a high value. The tax in the case of a man leaving a wife and two children and an estate of R5 million, thus, would fall from R1 508 000 to R712 500, or by more than 50 per cent.

⁵²¹ RSA 1988, Margo Report, p12.

expenditure were exempt from tax. The Margo recommendation is that a depreciation allowance should operate which allows the asset to be written off over three years at a rate of 50%, 30% and 20%.

The tax laws and fuel rebates cheapened farmer's mechanisation costs. A shadow costing of this choice which reflected the cost to society would have to include not only the elements of low import tariffs, tax relief and subsidised fuel but also the costs of the displaced labour. Displaced labour was not entitled to unemployment benefit so there was no direct government welfare bill. Nevertheless the costs of supporting the unemployed which fall particularly on the wage earning members of the working class would also have to be taken into account. The Margo Commission's observation about the justifiability of taxing capital goods heavily where the labour supply is plentiful requires a practical interpretation. This requires further research but from my earlier discussion on choice of technology the logical conclusion would be that capital goods should be taxed selectively. Those capital goods which raise productivity and fall into a labour absorbing technological strategy should be exempt from tax.

8.2.Diverse Beneficiaries: Tenure and Marketability.

Geographical population engineering, settlement and betterment programmes have an unpopular record in South Africa. The underlying principle of any land redistribution programme is that it must be completely voluntary. A "demand-led" reform must operate in which the government would commit itself to making additional land available to those who suffer from land shortage, or to facilitate the entry into farming of those who wish to farm but have no access to land. Although the exact geographic, demographic and quantitative implications of this demand are not known, this approach will ensure a process for channeling the state's available resources to those most committed, and in need of access to land for the purpose of agricultural production.

Criteria will need to be developed for the category of land and the area which should be made available according to the intended use by the beneficiaries. Additional land would be wanted by most but for different reasons; full-time agriculture, part-time agriculture, a rural homestead to

maintain a preferred way of life or a retirement place for old age.⁵²² To maintain the best use of resources, good agricultural land should be conserved for effective producers. A great deal of attention in the future is required to develop farming systems which are both economically and ecologically sustainable. Old resettlement models which try to identify the quantity of land necessary for a household to farm viably on a full time commercial basis (replicating the technological practice of large scale commercial farmers) are outdated; they imitate generally unsound farming systems and fail to take cognisance of the urban-rural linkage and part-time farming where off-farm income dominates and is an essential input into making possible the best use of rural resources as well.

Tenure flexibility is advocated to accommodate differing and changing land ethics. Studies of the influence of ethnicity on the operation of tenure systems illustrate the complexity of the tenure issue in South Africa. (see review in Chapter 3.) The strength of the kinship system and the extent to which commoditisation of land has begun to occur will help determine the degree of consultation on tenure decisions. Conflicts and insecurities have emerged particularly when state interfered with the community status quo as happened when the apartheid state defined certain "native reserves" to be politically "ruled" by a specific ethnic group irrespective of who settled first, or who is in the majority.⁵²³ There are many unwritten regulations about the manner in which land tenure is ordered in different parts of the country. Indeed many of the actual tenure systems are "unofficial"; they are *de facto* practical modifications of what the state *de jure* tried to impose. The ethics within indigenous tenure systems demand that individual rights are circumscribed by social considerations even when the prior right of first settlers is respected. Chapter 3 also referred to the fact that land is more than an economic asset; a right of access once conferred also grants a civic status and hence the right to participate politically in community affairs.

In summary (see Chapter 3) the basic principles of land and resource management in a black rural community were: access to an individual piece of arable land, access to common pasture, common access to reeds, water, house

⁵²² This exercise was carried out without very satisfactory results in Namibia. Personal Communication with D Callear, 1992, a former employee of the Namibian Economic Policy Research Unit (NEPRU)

⁵²³ James describes conflict in a Lebowa cooperative and the differing ethnic reactions which have been influenced by state intervention into ethnic politics.

building materials (irrespective on whose plot they might occur) the transformation of a long term land lease into a *de facto* ownership right, the greater importance given to short term social needs over long term ecological concerns. Attitudes towards land are changing leading to its commoditisation not only in the peri-urban areas but also in the resource poor hinterland. But change takes place with an uneven pace in different communities. There are criticisms of over hasty attempts to impose freehold, (as epitomised by the government's 1991 Land Reform bills) There is a need for flexibility and co-existence of tenure systems.⁵²⁴ Land is considered to be a part of a manifest set of social relations in a community, not merely an economic asset. The degree of community consultation which currently takes place around land very much depends on the practice of the government appointed chiefly authority. Some democratisation of local government is required if the future tenure choice is to reflect majority preference.

But tenure flexibility should also be promoted for technical considerations. South Africa's agronomic climate is relatively poor; it is predominantly a low rainfall area. Arable cultivation should therefore be undertaken selectively to avoid risk. But a great deal of land which, agronomically speaking, would have always been best suited for pasture, was ploughed up for grain cultivation. Certain subsidy policies, interest rates, pricing policies, (reviewed in Chapter 3) made it worthwhile to take risks for short term economic gains. But arable, high input production systems are proving both economically and ecologically unsustainable. A large part of South Africa is best suited to pastoral or agro-pastoral farming requiring a careful livestock management together with arable cultivation where possible.

The physiological land base must be taken into serious account in fostering a programme of affirmative action and land redistribution. Analysis of the emerging shift in land use indicates greater recognition of the need for mixed farming systems to reflect a more rationale use of natural resources.⁵²⁵ There is a reduction of grain cultivation in drier areas.

In relation a debate on production systems and land reform implications it may be instructive to consider, for example, a (not atypical) hilly pastoral

⁵²⁴ Cross C, 1991.

⁵²⁵ Vink N and J Van Rooyen of the DBSA : Participant observation notes ANC/DBSA Consultation meeting November 1990.

area with a minor water resource running through a valley.⁵²⁶ If this were a thousand hectares in the eastern Orange Free State then it is probable that one or two hundred hectares of lower lying land might have been ploughed up in the years when grain prices and terms of trade were more favourable. However the depletion of land fertility, the rising real cost of fertiliser have caused the farmer to reduce the arable area to thirty hectares in the lower lying valley land near the water source and to plant the remainder of the formerly cultivated land with improved pasture.

Land redistribution, in the above example, could occur through various options with different class and employment implications. One options would be subdivision for prospective (black) new farming entrants; perhaps two, three, five , seven farms might be created. The best thirty hectares of arable land would probably fall within the confines of just one of these farms- the white farmer might even decide not to sell this part of the farm but to continue to farm this portion. The remaining farms will have relatively poor land though some of it will have improved pasture. Alternatively, a community land management programme might contemplate twenty five -thirty families or more on the basis of an integrated agro-pastoral production system. Each family could get access to an arable area and some (communal) grazing.

The institutional arrangement for such a community based land management programme could be through the creation of a Community Development or Land Trust (CDTs) or (CLT). A CDT would take on the land management (having received it either as an endowment or through purchase). CDTs offer more advantages than state leaseholds as the land becomes a community asset. A trust provides the potential for democracy to emerge and in the form of engendering participation in decision making together with accountability.

Land redistribution policies must however cater for differing needs and aspirations. Beneficiaries will come from different classes or strata of classes. There will be demands for land as reparation for dispossession or forced sale. Some farm workers may wish to become self employed on their own land or farm cooperatively. Another source of demand may be from the landless unemployed whether based in South Africa's urban industrial centres or the bantustan closer settlements. These groups are unevenly skilled. They

⁵²⁶ Farms in the Ficksburg area provide the reference point here.

constitute neither an independent rich or middle peasantry nor are they tenants waiting to emerge and expand their production opportunities through access to land. Apartheid effectively succeeded in eliminating most independent commodity producers in South Africa's bantustan areas. Most rural producers are dependent on wage remittances to finance agricultural production. Their capacity to exploit fully any additional land resource will depend on the availability of labour and finance to purchase inputs. For the landless unemployed a successful entry into agricultural production will depend on training possibilities, support services and a manageable technology. Cooper has pointed out that part of the production and financial crisis faced by commercial farmers has been the lack of availability of different technologies.⁵²⁷ For example farmers cannot find older strains of hybrid seeds on the market. They are forced to buy new cultivars which cost twice as much. Many farmers, however, cannot use them effectively to raise their productivity any higher than when they used the older type hybrids. This observation has important implications for a land reform: it will require a technology and management package otherwise there may be very poor returns to the land reform.⁵²⁸

Broadly speaking, land tenure systems and conditions of marketability should respond to the three main groups identified in Chapter 5 (1) the marginalised "peasantariat", (2) established and aspirant small scale commodity producers, (3) entrepreneurs. The marginalised categories within this group cannot afford to pay for land whatever the conditions. Group 2 might be able to pay off a subsidised loan - but in general they have little capital available. It is this group which may possibly take most advantage of a subsidised access to land respecting all the conditionalities of resale. It is also this group which might make the best use of community based options described below, who within the framework of a Community Land Trust etc are able to gain access to land (as their own share and through additional borrowing or rental) in order to realise their full potential as significant commodity producers. Group 3 are the entrepreneurs, the commercial farmers. A case has been made in favour of promoting emergent black entrepreneurs as part of an affirmative action programme. But this group is obviously less needy of that support than Groups 1 or 2.

⁵²⁷ DBSA/ANC Consultation meeting, November 1990.

⁵²⁸ Buttel F (1990) provides an expanded analysis on the issue of biotechnology and agricultural development in the third world.

Institutional arrangements must also meet the needs of tenurial flexibility and technical land management considerations. There is a range of possibilities to complement existing communal and freehold systems. Among these are (a) Community Development Trusts, (b) Employee Share Ownership Schemes and Joint Ventures (c) Community Ownership with Sectional Title (d) Community Land Trusts (e) state leaseholds.

(a) Community Development Trusts: Some farm workers have stated that they are not interested in land redistribution. They want an end to racist management practices in terms of equal pay for equal work. They want the acceptance of and compliance with the Basic Conditions of Employment Act. They want security of housing, and a right to stay in the locality, which is independent of the job. The idea of Community Development Trusts includes incentives for the current owners to plough back some of the profits into social infrastructure. The Rural Forum in Stellenbosch has considered setting up farm villages within this context.

(b) Employee Share ownership Schemes/ Joint Ventures: While state farm could offer the best potential for a radical transformation of relations of production and redistribution, there are historical reasons for a cautious approach. The development of managerial capacity of farm workers is a prerequisite for the effective operation of state farms. But race discrimination policies have deprived people of education and skills training. It is possible that prematurely created state farms would neither realise productivity goals nor the transformation of the relations of production. Therefore the creation of employee share ownership schemes or joint ventures offers a possible alternative in which workers receive intensive training to enable them to participate in farm management. 529

(c) Community Ownership with Sectional Title: This proposal stems from a recent innovative experience in Natal province. A new owner purchased a farm which had on it labour tenants who had farmed part of the land as their own for generations. He refused to expel the tenants. As a new incumbent he was not legally obliged to respect any contracts made with the former owners. He offered the labour tenants the option of staying on the land if they would purchase it from him which they did. There may be justifiable outrage at the

529 For a more extensive discussion on forms of production see Dolny, H, 1990, p19.

fact that the labour tenants with a birthright to the land had to pay for it. However, for them, this was for them a better solution than expulsion. The DBSA has suggested that this strategy should be encouraged but that the labour tenants should receive a land grant from the state to pay for the legal title.⁵³⁰ Furthermore to implement such a strategy it would be necessary to repeal the sub division act.

(d) Another possibility is the creation of non-governmental, locally based Community Land Trusts.⁵³¹ The trusts (which could be called Community Land Banks) could obtain land as an endowment or through special purchase arrangements. The trusts could then develop a land management plan which might involve zoning land for different uses, housing, vegetable gardens, arable land and grazing areas. The trust could then sell or rent land to interested parties who fulfilled criteria developed by the trust (for example: residency, farming ability, household income level). A principal aim of the trust could be to maintain land in the possession of the community in the long term. Therefore if a lessee or land owner decides to terminate their lease or sell the land the trust should have first option to buy back the land or facilitate its transfer to another qualifying applicant.

Community Land Trusts offer the possibility of (a) a Board of trustees which combines community and institutional representation⁵³² with professional expertise (b) a land endowment of a geographically defined area, (c) a land use plan drawn up through consultation with beneficiaries, (d) an income through rents or sale to secure reproduction, expansion or diversification, (e) retaining the assets within the community through conditionality of resale (f) the development of qualifying criteria for beneficiaries.

For example in the case of Taung, the "community" comprises a wide range of residents some with access to land but the majority without. Many family members are employed outside of Taung but send remittances to the residual family. A wider consultation using a "resolution of conflicts of

⁵³⁰ Personal communication with N. Vink, Senior Policy analyst, DBSA, February 1992.

⁵³¹ Warburton and Wilcox, 1988, p , after considerable researching define development trusts as " independent, not-for-profit organisations which take action to renew an area physically, socially and in spirit. They bring together public/private and voluntary sectors to obtain financial and other resources. They encourage substantial involvement by local people and aim to sustain their operation by generating revenue."

⁵³² The inclusion of chiefs on boards governing new institutional arrangements for land was a transitional approach used in Botswana. It ensured that chiefs felt they still had a role - but effectively this role was weakened through its incorporation into a body with a wider group of interests.

interest" approach combined with some professional advice should allow for a design of a viable and broadly acceptable land management/access scheme for which the community takes some responsibility to implement and monitor. The professional advisory role within the trust should ensure that the scheme meets land use regulations and lends itself to good conservation practice. The effective operation of the trust would be enhanced by democratisation of local government. It would combine the space to assert individual rights within a wider participatory and accountable framework and also combine social objectives with revenue generation.

(e) Another institutional "affirmative action" arrangement would involve the state acting as a facilitator to secure affordable leaseholds to capital scarce tenants. This is the option pursued for some time in Saskatchewan.⁵³³ For ten years (1972-1982) the provincial government operated the "Saskatchewan Land Bank" (SLB) to assist affordable leaseholds and land purchase especially to assist intergenerational transfer.⁵³⁴ The operation of the scheme ran into several problems which should be considered in any redesign and re-implementation of a like-minded proposal. Firstly the provincial government faced an escalating debt burden; it borrowed money from commercial banks at a time when interest rates were low and were thereafter ensnared by the rising interest rates. The provincial government's need to raise rents to cover bond repayments contradicted the intended policy of creating affordable leaseholds in accordance with production income. Secondly the scheme caused frustration because it raised expectations but was never able to fully satisfy demand; there were ten applicants for every farm acquired for the scheme. Thirdly the scheme aroused considerable political hostility. Large landholders, corporate business and legal firms opposed the scheme either because they saw it as impeding their own chances for farm enlargement or as leading to a loss of income due to less frequent open market

⁵³³ It is not a new idea in South Africa. The second Commission of Enquiry into Agriculture in the early 1960s proposed this very idea (See Chapter 3) as a means to enable young, able, white farmers without capital to get into farming. The idea was never pursued because it basically contradicts the primary objective which was to induce farm enlargement.

⁵³⁴ A major rural Canadian problem in the post II World War period has been the increase in life expectancy of the population. Old farmers now wish to retire but are tied to their land both for an income and residency. If they wish to move to town their only option to buy another home and be able to top up meagre state pension is through selling the farm. Ideally they would like to keep the farm in the family but the younger generation has no funds to buy out the parents. The SLB was designed to respond, in part, to this social crisis.

land transfers. The scheme was also alleged to be communistic - a back door method of nationalisation. In reality the SLB supported a strata of the less powerful land owning interests. The scheme included a purchase option and depended on resale of land to create a rotating fund to assist more (intergenerational) transfers. The scheme came to an end after the election of a new provincial government.⁵³⁵

A fraction of the prairie farmers continue to lobby government assistance to indebted farmers and the possible creation of a new land bank. Their proposals are relevant to many of South Africa's commercial farmers. They propose (a) that there should no government assistance to farmers to subsidise loan payments to the banks which they see as an incentive to the banks not to lower interest rates. (b) The provincial government should rather give equity assistance to farmers to lower the capital principal that they are repaying (c) the government should raise special funds (offering tax breaks) to raise funds for purchase (d) rentals should be fixed according to a formula based on output and net income. (e) the banks should share in the market place risks- if the price of land drops so should the bank share in the loss and adjust the principal and amortisation rates accordingly. This demand derives from the 1980s experience: land prices dropped by a third. Banks reviewed their clients' loans, declared many as now "undersecured" and called in the loans.

My own preference is against the creation of state administered leaseholds as created by the SLB because of the potential for corruption, nepotism and cost. The current Zimbabwean state leasehold system has been described as "whimsical", with a family's access to land depending on maintaining good relations with a state bureaucrat. Perhaps this option has better chances of functioning well where civil society is better developed than is the case in Southern Africa.

Concluding Remarks

In South Africa the most important issue is the restructuring of agriculture to offer viable and sustainable economic futures for the rural population. Currently diverse tenure forms co-exist and racial farming stratification must have produced one of the sharpest gini-coefficients in

⁵³⁵ Author's notes from recorded interviews with Saskatchewan farmers and social researchers. November 1989.

relation to distribution of farm income in the world. And yet the low-income population will continue to inhabit the rural areas depending on remittances.

On both practical and political grounds I have argued against the transformation of currently diverse tenure forms into one unitary freehold system. I would however support a process of formal titling of communal usufruct rights in spite of this being an expensive undertaking. Usufruct rights have proved fragile in neighbouring states hence titling might offer greater security in a situation of political flux.⁵³⁶ Titling need not necessarily be an individual exercise; community registration is an alternative possibility.⁵³⁷

Communal tenure, where socially secure, has proved that it is not in itself an impediment to increasing production (eg. the proven capacity of Zimbabwe's middle and rich peasant strata to take advantage of the new conditions after independence.) Communal tenure is an impediment to the emergent entrepreneur whose access to land becomes severely limited.⁵³⁸ But within the proposed mixed economy such black aspirant entrepreneurs will lobby for and probably succeed in getting subsidised access to land. If so, I have argued for conditionalities of resale.

I have also cited the case for a protected land pool where individuals get state leasehold if they satisfy certain criteria. But my own preference is for the major thrust of land redistribution to take place through Community

⁵³⁶My support for a titling exercise stems from fieldwork observation in Mozambique: one Manicaland group of peasantry first lost its usufruct fertile valley land through colonial dispossession. After independence the notion of restitution was over-ruled in favour of creating state farms and cooperatives. In this specific Manicaland area a state farm began but then abandoned because it was judged to be too small. The peasantry moved back on to the land repossessing land according to social recognised usufruct rights. Since then the government has offered part of the valley land for foreign leasehold. Well placed civil servants are taking most advantage of a titling process which began for the remainder of the land so it is probable that the prior right of the first usufruct land holders will be passed over once again. Locally based political organisation together with some formal legal registration of usufruct might have enabled this group of peasantry to more effectively resist dispossession.

⁵³⁷ The National Land Committee has suggested this approach for protection of individual rights to communal land areas. Currently much of the administration of land in bantustans is in the power of collaborating chiefs- and community titling is part of the process of necessary disempowerment.

⁵³⁸ Additional land may be loaned from neighbours; outright purchase is impeded by the communal process.

Development Trusts offering the possibility of a more democratic and accountable process.

A land reform carried out with the above legal, economic, land management and marketing considerations should lead to a heterogeneous transformation process. The role of the state is that of facilitator to assist the realisation of political demands supported by identifiable constituencies. Emergent entrepreneurs may lobby for subsidised access to land; if this is effected then I have argued for the imposition of conditionalities on resale. Individuals or groups of individuals may argue for a land endowment for small scale household based agriculture. Here I would advocate the introduction of locally governed development trusts which combine both opportunities for individuals but which also harness individual rights tempering them with social accountability.

The process outlined implies flexibility and visible fruition of the policy design over a period of time. It may be difficult to envisage the radical challenge to white agrarian interests. But, as previously emphasised, effective land reform requires rurally based political organisation which exerts its challenge to the status quo through the democratisation of local government. Land reform legislation has proved fairly ineffective unless the intended beneficiaries are sufficiently well organised to take advantage of the reform framework.⁵³⁹ Radical challenge through the creation of state farms and cooperatives has proved unsustainable where there is no rural political base. So whereas the socialisation of agriculture may offer social and economic advantages, it should emerge as the result of political organisation and as a chosen preference. The state's role is to facilitate an enduring redistribution process through the adoption of a conducive legal process, provision of flexible tenure alternatives and a clear economic strategy. The framework should enable different categories of existing producers and/or land reform beneficiaries to realise their productive potential with a consideration for long term, wider community concerns.

⁵³⁹ Brazil has a land reform framework which is most beneficial to the rural middle class who are most organised to take advantage. In India, West Bengal's success in carrying out some effective land redistribution is ascribed to the prior democratisation of local government and the replacement of traditional (religious) power structures with democratically elected bodies.

Appendix 1.¹ Strategising for Transformation: A Simulation Exercise²

"Conflicts of Interest: Maize Farming in Western Transvaal.

Objectives.

*Identify differing sets of interests which must be considered in the formulation of new agrarian policy in the future South Africa.

*Examine how a particular set of interests shapes peoples' actions and the alliances they form.

*Analyse the consequences of different land use policies (who benefits, how, under what conditions, with what costs) of different land use policies.

Process.

Begin with an introduction to the simulation exercise. The finale will be to role play a consultation meeting in a town hall where different interest groups arrange to meet to present their positions and discuss them. The facilitators distribute the "scenario" for reading. Participants are then allocated to different roles among the identified key players. It may be advisable to carefully choose which participants assume which roles ie. people with legal and economics backgrounds are useful to have in the banking role, people with an activist, leadership, union background can be assigned to the roles which favour land redistribution. The groups do not have to have equal numbers-weight them as you wish. There are six role groups: (1) the transitional government, (2) permanent farmworkers, (3) seasonal farmworkers (4) unemployed farm workers, (5) the banks and (6) white farmers.

There are three preparatory phases to the exercise, followed by a "live" enactment of a district consultation meeting , followed by a debriefing.

There are instruction to hand out at the beginning of each of the three preparatory sessions. In the first preparatory phase, the role groups define their own specific self interest and the needs of their group. In the second preparatory phase the role groups are asked to identify possible short and long term allies among the other groups. This phase should produce a lively interaction as groups attempt to receive advance information on the positions of other groups as well as form alliances to further their own interests. The role groups then spend the their preparatory session in preparing their arguments for presentation to the town hall meeting.

¹ For a full record of the response provoked by this exercise in the ANC exiles workshop, February 1990, See "Breaking New Ground" 1990 a 'Report on an ANC in-house workshop on the Political, Economic and Social Issues of South Africa's Rural Areas." ANC Research Department, Lusaka.

² The structure and process is based on a simulation exercise designed to provoke strategic thinking in local community on race relations in schools in Toronto -elaborated by Barbara Thomas working for the Ontario Schools. Board, Canada

³ This exercise was drafted by Helena Dolny, February 1990 and revised in consultation with Barbara Thomas and Bongive Njobe. The version reproduced here has been further revised by Dolny in February 1992.

The group assuming the role of the transitional government is requested to organise the meeting as they would wish it to take place: seating arrangements, controls of time allocation to speakers and so on. After one hour the "simulation" is called to a halt and all participants discuss the political dynamics of what happened.

The entire simulation exercise needs four hours: 15 minutes introduction, 40 minutes for each of the three preparatory phases, 60 minutes for the simulation and 45 minutes for the debriefing. Using an afternoon for preparation and running the meeting after supper can work well in a residential workshop.

Interest Groups.

1. Representatives of the new transitional governments coming to power in a united, democratic, non racial South Africa.

2. Full time farmworkers resident on the commercial farms of this region. They are mostly men -they are not unanimous in their outlook:

(a) some can trace their family history back to the time when the land belonged to their families. They wish to claim ancestral rights to the land.

3. Casual Workers, mostly women and children employed at weeding and harvesting time. A few are the wives of the full time workmen, most of them come from Bophutatswana.

4. Unemployed men and women who share a varied history-some have been relocated from so called "black spots"; others retrenched from industrial employment, others are former farm workers from the Western Transvaal areas who have lost their jobs due to mechanisation.

5. White farm owners.

6. The Bankers.

Scenario

The Western Transvaal is a maize farm area. In the 1970s the white commercial farmers responded to state incentives to increase both their land and labour productivity. Investments in widespread mechanisation caused a huge loss of jobs in the area and ex- farm resident workers found themselves expelled to rural closer settlements in Boputatswana. The casual labour jobs which became available in the weeding and harvesting season are now mostly done by women and children. The government's fixed pricing policy encourages farmers to produce as much maize as they can; farmers monocropping practices are now causing soil erosion problems. The export of maize earns foreign currency but the domestic price has been consistently higher than the international trading price so these exports have been subsidised. In an effort to reduce the level of government expenditure on subsidies a system has been introduced to pay farmers not to grow maize on all their land. In spite of government support many white grain farmers have big bank debts - they were hard hit in the early eighties as interest rates and prices of farming inputs rose faster than the price grain and to make the problem worse farmers had poor harvests due to drought.

The new government has committed itself to a mixed economic policy where private businesses will co-exist with some government intervention to redistribute wealth and promote diverse forms of production. It is committed to the Freedom Charter which states that "our people have been robbed of their birthright to land" that "the people shall share in the

country's wealth" and that the "land shall be shared by those who work it". The new government is considering a variety of possibilities of how production might be reorganised in the interest of the people but there is also concern that there should be a transitional approach to change to ensure that production is maintained and that food supplies are secure. The farming options they are considering range from state farms, production cooperatives, household farms, joint ventures or the continuation of commercial farming enterprises with improved wages and living conditions.

For the Western Transvaal region the transitional government has received "RECOMMENDATIONS" from the Ministry of Agriculture technicians that the investments made to achieve large scale high productivity farming should not be lost but that some reorganisation of cropping patterns is advisable in the interests of improved land care. This would mean that monocropping of maize would stop but that the current levels of mechanisation would be maintained. The technicians have also recommended that some of the less productive farms should be taken over and the land redistributed to Africans who have farming skills and proven entrepreneurial capacity.

The new government is highly sensitive to the regional differences and is aware that any action it takes will be controversial. It is concerned not to make decisions in Pretoria without prior consultation. The new government has initiated a process of local level consultations to take place in the differing farming regions to hear representations from different interest groups and to present its own concerns.

PROCESS INSTRUCTIONS

The preparation sessions will culminate in a session enacting a consultative public meeting which all the interested parties attend.

Each role group is to give a five minute presentation to the public meeting which reflects the position which the role group arrives at during the preparation sessions.

PLANNING PERIOD: PHASE 1. IDENTIFICATION OF GROUP SELF INTERESTS.

(Time: 40 minutes)

The purpose of this planning period is to determine the specific self interest and needs of your group. Defining self interests and needs is the first step in dealing with change. Having a goal and a focus will assist your group to define and protect its interests. During this task, assume that it is important to be self concerned and to know what you want to happen. Be assertive.

In this round, complete the following tasks.

1. Discuss what self interests and needs of the members of your role group do you want to promote at this meeting?
2. Agree on the role group's self interests and priorities.
3. Develop a plan to gather any additional information you would like to have.
4. Decide who can help you get what you want.
5. What are your resources to use to make sure you get what you want.

PLANNING PERIOD, PHASE 2. IDENTIFICATION OF SELF-INTERESTS OF OTHER GROUPS.

(Time: 40 minutes)

In this phase you should get to know the other group in order to assess their self interest and the resources which they have to defend their position. It is only by doing this that you can identify the short term and long term allies in what your own group wants.

Your tasks in this phase are to:

1. Identify who has an interest in the recommendations made by the Ministry of Agriculture's technical advisers to the new government.
2. What are their positions on the recommendations made by the Ministry officials?
3. What resources do they have to influence any changes to the recommendations?
4. What alliances should you make, and with whom, to increase your own influence on the recommendations.

PLANNING PERIOD: PHASE 3. DEVELOPMENT OF GROUP STRATEGY.

(Time: 40 minutes)

Decide which strategy/strategies your group will undertake and what you want to say at the meeting.

As a resource to you strategising and planning you might want to look at and consider different kinds of strategies. See "Strategic Procedures"

ROLE BRIEFS.

Each role group was given, separately and only a brief of the role assigned to them. It is an aid tool to help the role group develop its character including a description of what the particular concerns and interests of this role group might be.

Role Group: "The Transitional Government"

You have called the meeting because you are very concerned with the implementation of a new agrarian policy which is satisfactory to rural communities. You are well aware of the failures of state farms and cooperatives in neighbouring countries. You are also aware of political dissent possibly leading to destabilisation in the long term if the demands of the majority of the people are not responded to. You are walking a social, political and economic tightrope. There is massive unemployment - yet these farms are mechanised. Agricultural exports are important especially as the country as a debt repayment schedule to fulfill. You are aware that racial capitalism and gender oppression has deprived workers of technical knowledge and managerial skills. You are aware that the white farmers will demand compensation if they are to leave their farms - but a compensation debt will exacerbate the budget deficit and simply add to the economic problems of the economy. You are wary of a right wing back lash and economic sabotage of the kind experienced in Chile in the 1970s.

From this meeting you want to win support for the recommendations made by the Ministry of Agriculture technicians - if the farmers agree to

fulfilling workers' demands for improved wages, working and living conditions. On the farms to be taken over you want to hear the different interests and take decisions accordingly.

You are running this consultation meeting. You want to win support for your own position and at the same time must ensure that the positions of all the role groups are duly considered.

Role: The Banks.

Several hundred farmers in this region are heavily indebted to the bank. These farms are not profitable under the present farming system. These farms could have been declared bankrupt some years ago but there was government pressure on your bank to favour the white rural constituency. Your bank does not want to call in their loans and end up with these farms and then have to organise new buyers or set up new economic ventures. You want to get back the money lent out plus profit. You know that there are a lot of African businessmen who are anxious to buy farmland. You see the possibility of future profitability on your loan.

You are worried that the more radical elements in the transitional government will win support for their proposals which include the state getting hold of land without paying out the market price for it. If this proposal were to go through you might not get your money back. Also you do not know what system of land tenure will be followed. If there is not a system of saleable leaseholds- against what security are you as a bank expected to make loans?

Your interest is in defending non racial, private, marketable landownership.

Role: The Full-time Farmworkers.

At the moment you are full-time farmworkers. The job goes with a house for your family. If the farm is taken over by another farmer, you expect to lose your job, your house, your right to be in the area. This is what has been happening to dozens of families you know in the last twenty five years since the mechanisation push began.

Many years ago the families in this region used to work this land. Then when the whites came and claimed formal land ownership your family became sharecroppers. You farmed the landowner's land and he took a share of the crop from you as his "rent" for your using his land. Over the years this system has fallen away and now you work as wage workers.

When you, as a group of full-time farmworkers have discussed the Freedom Charter and its clause "the land shall belong to those who work it" -you find that you do not have a united position.

*some of you want back the very same land that you know your family originally farmed. You know where the graves are and you want to live there again. You expect government assistance to re-establish your farming activities.

* some of you no longer want to own land -but you want better conditions as farmworkers -wages, housing, health and schooling.

* some of you no longer want to own your own piece of land -but you do not want to work for the white "baas" -you think the government should take over these farms and turn them into state farms-or allow workers to turn them into producer cooperatives.

Role: Seasonal Workers (male and female)

Some of you come from Bophutatswana, others from the Transkei, others are part of labour teams recruited in the Orange Free State. When the men among you think back twenty years you think of a time when nearly all the seasonal workers were men and a lot of the work was heavy lifting. But now most of you seasonal workers are women and children- the bosses say that women and children are strong enough to do the "lighter jobs" of clearing weeds missed by mechanical weeding and gleaning the grain left by the combine harvester.

As men, as seasonal workers you are worried that "land to those who work it" might only be understood as those who are resident farmworkers. You reject this idea as members of your family have been farmworkers in this region for generations. You don't expect to find a permanent job, you don't expect to find a job in the city. you don't have any savings -but you would like some land of your own, or a plot of arable land with communal tenure or at least a share of a cooperative farm.

As women, as seasonal workers you are worried how your demands can be put forward. You know that in other countries women have not won rights to own land in their own name. You also know that in wage work systems the skilled jobs are always taken by men. Some of you want secure skilled work on the farms with a house and a vegetable garden, others of you want a piece of land to farm as your own. At the moment you go from temporary job on one farm to temporary job on another farm -so you don't really mind where you are offered land either on the farm where you are now working, or near the homestead you go to in when you have no work Bophutatswana. Instead of seasonal work you want to be able to develop household farming activities and sell some produce -but you are also worried about where you would get money from for inputs - and if you did borrow money - but had a bad harvest or ate all the produce -then how would you pay back your loan?

Role: The Unemployed.

Some of you living in the bantustans are from former "blackspots", freehold land which you owned in so called white areas from which you have been relocated. You would like your farming area back again and to own the land you occupied before.

Others of you are members of families who had been resident farmworkers on the land of this region for decades. When farmers bought machines you lost your jobs. You want to work but don't expect to find an industrial job. You think the new government should not allow so many machines which take away people's jobs -but you also remember the backbreaking work when there were no machines.

Some of you are "redundant" industrial workers. You have been removed, in the early 1980s from the urban areas as "surplus people". You have never farmed- you have only heard stories from your elders of how they used to farm in such and such a place. You would like to work -your spirit is down from not having a job, not bringing home money. You don't know what to expect from the new government -you don't know what will happen to people like you.

Role: White Farm-owners.

As white farm-owners you want land as private property. You recognise that whites own 87% of the land in South Africa but you also feel that generations of whites have invested their capital into the land and developed it from a "bundu" into technologically advanced farms. You understand that some of the settlers may not have been "fair" in their land deals - but that is history. You had to buy your farm borrowing money from

the bank and year by year you had to worry about repaying the bank loans. On your farm you think it would be better to accept some minimal demands for improved workers' conditions. You think the government should seek foreign aid in the form of direct assistance to white farms to achieve some of these improved conditions (as you know has been done through UNICEF assistance in Zimbabwe).

You know that blacks want more land. But if the government wants to help blacks this is the government's problem and it should buy land for redistribution. Personally you don't think the government should buy too much land because you know in the end it'll be paid for out of your taxes and you don't want to pay any extra. Besides which you don't think there are too many blacks who know how to farm and look after land.

You basically mistrust the new government and any statement of theirs which supports the recommendations which you know the Ministry of Agriculture technicians have made -as you fear that in the end the voice of reason will not win out. You are scared of the radical elements in the transitional government. You fear they will take the land back where and as they choose, refuse to pay market prices and take their time to pay whatever they decide to pay.

You want what happened in Zimbabwe -that there should be willing sellers and willing buyers with the government having the first option on any land that comes up for sale. You don't want any strings attached to the money you'll get paid out for your farm- you've heard that in other countries land owners got government bonds, to invest in industries redeemable after only so many years. You want cash up front- and as in the long term you're not sure that you'd want to stay in South Africa anyway under black majority rule - than you'd like your cash to be convertible - you want to be able to have the whole amount in foreign exchange so that you can either emigrate or invest abroad.

SUMMARY of the outcome of the Simulation Exercise as enacted at an "ANC workshop on the Political, Economic and Social Issues of South Africa's Rural Areas." February 5th-9th 1990.- pp 19-25.

Each interest group made its presentation summarised as follows:

1. Opening Remarks of the Transitional Government.

- * welcome to the meeting
- * announcement that all racial legislation was to be immediately repealed,
- * overview of present rural issues and concerns:
 - disparity in both land ownership and land use, unsatisfactory working and living conditions, wages and social services.
 - acknowledgement that people are informally taking possession of land.
 - warning of tensions and that many farmers possess arms.
- * announcement of further measures which the transitional government intends to implement immediately:
 - all underutilised land to be appropriated
 - compensation on the basis of land improvements valuation
 - redistribution of land for collectives of workers and seasonal workers and unemployed to provide work and social security.
 - extensive state support to be made available including credit with low rates of interest, training and marketing advice,
 - special affirmative actions to be available to women, children and the elderly,
 - the opening of land claims offices for where people were removed by the apartheid regime can present their title deeds for consideration.

- nationalisation of certain large agribusiness estates
- creation of job opportunities for redundant industrial workers
- revenue to finance these proposals to be raised through a tax system.

* invitation to each interest group to now give their views respecting a five minute limit due to time constraints.

2. Seasonal farmworkers presentation:

- * complaint on shortness of time allowed for presentation,
- * complaint that transitional government said they were coming to listen yet now presenting new proposals,
- * overview of their situation of seasonal workers of generations of families working the land,
- * presentation of general demands which they see as common to all workers:
 1. full time work including illegalisation of seasonal work,
 2. job security and skills training (technical and managerial)
 3. access to adequate health services,
 4. access to training regardless of gender differences,
 5. secure, safe and affordable housing,
 6. access to free and universal education for our children
 7. a living wage which we negotiate.

The group had placed themselves in the situation of a specific farm in the case study and went on to sketch out their demands for their own future.

What we want specifically in relation to our future co-op:

1. Financial security from the state in case of drought and crop failure,
2. Certificate of temporary ownership and legal security in terms of future use and occupation of the land regardless of gender,
3. Access to financial support and an interest free loan if necessary- to be mediated with the bank,
4. Security of existing capital assets or secure new capital assets,
5. Market security and control of foreign produced food produce. Price controls in our favour.

What we think in response to the Ministry of Agriculture proposal:

We want to continue with monocrop production of maize in the short term because:

1. We do not have the skills, finances or know-how to diversify immediately,
2. Maize is a staple crop and will remain an important part of the national diet for the foreseeable future,
3. We need to know what the national food reserves are and whether the new government will change the national food production policy:
 - a) will maize continue to be a major export crop;
 - b) what industrial uses can maize be put to
4. We will put into practice environmental control measures if there is any evidence of soil erosion due to monocropping.
5. We would like to acquire more production and management skills to be able to successfully implement mixed cropping in the future
6. We are skilled in the production of maize and this is what we know best,

"We would like you to give us a chance. We have been landless for three, four, five generations and now we have it we hope you will allow us to stay on the land, so that we can work it." (APPLAUSE)

3. Permanent Farmworkers Presentation.

1. We are farmworkers (permanent) on Van Zyl Slabbert's 500 ha. maize farm in this, the Western Transvaal region.

2. According to a recent government report, this is a less productive farm which "should be taken over and the land distributed to Africans who have skills and proven entrepreneurial capacity.
3. It has come to our knowledge that this farm is close to bankruptcy, because the present owner has incurred heavy debts from banks who want to repossess farm machinery.
4. We are not happy about the government proposal that less productive farms should only be redistributed to "Africans who have skills and proven entrepreneurial capacity."
5. We believe that the more productive and fertile farm land should be taken and given to Africans "who work the land"
6. We permanent farmworkers meet all the conditions of government in as far as taking the farm over is concerned.

Our specific demands are as follows:

1. We have decided to take over this farm, its land and all assets;
2. This is in accordance with the Freedom Charter that, "the land shall be shared by those who work it."
3. It is also in agreement with the new condition set by government that skilled and proven farmworkers must take the land over.
4. We however differ with government on breaking and distributing this "less productive" land.
5. We have instead agreed to maintain the present status of a single unit.
6. We shall work it together under the co-operative system of social production.
7. It is our belief that we are in full agreement with government policy which encourages the creation of co-operative production by those "who work the land."
8. We have decided to introduce a diversified form of production because the previous mono-production has ruined the land, vegetation and water systems of our environment, including our own health and general quality of life.
9. We assure government and our people as a whole that we shall meet the national demand of increased agricultural production of food security and a clean environment.
10. At this moment we hereby extend a hand of invitation to our former boss. We request him to join us as fellow co-operative producers.
11. Together we shall help in forming and join a National Co-operative Union of Agricultural Producers.
12. We are certain that with the firm support and encouragement from government and all fraternal forces, especially in matters relating to: appropriate legislative measures, Training and Research, Extension Service, social and economic infrastructure, financial and credit facilities - - we shall realise our set objectives with speed and ease."

The Bankers' Presentation

We are YOUR bankers and have met to consider the new situation. We have noted the government's statement and will consult with our lawyers on the legal implications of the changes.

We welcome this opportunity to participate in the transformation to a non-racial, non-sexist, democratic country. We are ready to co-operate with the new government to seek stability in the economy, harmony between all social groups and to encourage full productive employment for all those with legal title to the land. We believe that producers, bankers, services, workers and all in gainful employment share a common interest with us in hard work for the development of the country.

We are friends of all groups not least the commercial farmers whose interests we share in the growth and the development of their enterprises. We have long serviced them with loans and other financial facilities and will continue to do so and hope to extend this service to all entrepreneurs.

Our approach is positive. As bankers we will provide capital (naturally subject to a certain rate of interest) in order to increase and consolidate agricultural units and to protect their interests.

We will encourage investment in enterprises that will help diversify cropping; preserve the soil; develop afforestation and provide credit for mechanisation to sustain and extend present productive capacity and make work for all.

We wish to encourage productivity for export and for the home market at economic prices. We will extend opportunities for agribusiness to stimulate employment, to improve our yields and increase the national product.

To the unemployed, the seasonal workers, and permanent farm workers we will ensure the capital investment for development and growth. Our free-market position offers jobs, mobility of labour, freedom of choice, freedom to bargain and above all opportunities for all those who wish to accumulate.

Our contribution to this great social transformation will extend to encourage loans and give our expertise for important social projects such as clean water, sanitation, primary health clinics, housing, schools and welfare.

In conclusion we stress the value of free enterprise, a plural economy and the importance of a market-orientated hard-working community. Our slogan is, "Time is money! Money is development."

White Farmers' Presentation.

"Dear Sirs and Madams,

This region has a proud history of commercial farming which has provided food and valuable foreign exchange and is prepared to continue to do so. We provide a large amount of employment, both permanent and seasonal. To continue this tradition it requires that we maintain stability and build confidence to ensure continued investment by us in our land and the high level of productivity that results. This can be secured by clearly zoning this region as a large scale individual commercial farming region. In this regard we would be pleased to see the government adopt the Ministry of Agriculture's recommendations including:

- 1) support for the movement away from monoculture, but maintaining levels of high food production by a slow transition with full structural support from government;
- 2) maintaining levels of mechanisation and the subsidies required to ensure this. We would be pleased to see the government give aid to individual African commercial farmers, however it is necessary to ensure local confidence that any 'take-over' of a farm is done on a willing seller, willing buyer basis..

Stability is ensured by good labour relations. in this regard we hope the government will look to the example of Zimbabwe where the government got outside funding to improve the condition of permanent workers in these areas:

- 1) wages we feel have to keep us with the cost of living but any minimum wage must not be unreasonable as it will price people out of the market and result in the loss of jobs;
- 2) orderly unionisation is not rejected by us. We particularly welcome a locally based workers' association which understands the area and the customs of our local Tswana people;
- 3) we welcome government support for the development of some local small agricultural industries to relieve unemployment and boost the marketing of farming products for example, the construction of a local mill.
- 4) we would encourage government support for transport subsidies to our seasonal workers to ensure that their time on each farm is kept to the minimum so that they can obtain further employment on neighbouring farms.

We welcome the government's positive attitude to farming in our region. Guarantees that no land will be taken away without just compensation brings confidence to our community for the future.

This government's commitment to basic individual human rights, particularly to the protection of our property; our land and homes, is a sound foundation for the future. Threats of expropriation or damage to productive property will undermine our productivity and threaten the food security of our new nation.

This confidence will be ensured by guaranteeing in our country's new bill of rights the free transferability of property, particularly the productive land which we farm. Thankyou."

The Presentation from the Unemployed.

"We are a group formed of (1) victims of forced removals (2) farmworkers who have lost our jobs due to mechanisation, (3) industrial workers who have been made redundant.

We all want to work and our fundamental premise is -jobs for all adults. At the same time we do not want the productivity of the economy.

We therefore realise that white commercial farms and private enterprise will continue to be major employers under the future government. our proposals are as follows:

1. Repossession of the land from which we were forcibly removed.
2. Allocation of additional land -the land was disproportionately distributed, in particular occupation of land owned by absentee landlords and unproductive land.
3. Compensation for years of lost capital accumulation. This should take the form of taxation on capital of white commercial farmers and private industrial enterprises.
4. Legislation to protect the rights of workers including trade union rights (trade unions should negotiate working conditions)
5. Legislation for job sharing and our proposal would be that a government commission look into this with the possibility of legislating a six hour working day to guarantee a job to all adults.
- 6) On the land allocated to us we intend forming co-operatives (in which there will also be a six hour working day). We will use funds allocated from compensation and will seek credit to finance our operations.
- 7) We would like to propose that all new investment in industrialisation in both urban and rural areas be subject to co-operative legislation. Government should promote industrialisation to generate jobs.
8. Social services should receive immediate attention of government, ie. priority should be given to education, health and housing.

We have noted the views of government. We would like to put it to the government that we do not believe that they have gone far enough in their views on transformation in our society. Our demands have all along been the nationalisation of land and industries.

Nothing has been said which guarantees the improvement of the lot of the six million unemployed in our country.

We do not have title deed to the land from which some of us were forcibly removed and there is no guarantee that jobs will be generated for us or for the seasonal workers who now and again swell our ranks.

There is also no guarantee of job security for our brothers and sisters with permanent jobs in the farms and factories. our ranks are continuously being swelled by workers made redundant in the urban areas and losing their jobs on the farms due to mechanisation."

ANALYSING OUR SIMULATION EXERCISE ROLE-PLAY MEETING:

After the presentation there began a question and answer session. We had agreed to stop the simulation after one hour and then do a debriefing on

what points were emerging from the experience. First groups responded to these questions:

- (a) Did you get across what you wanted to?
- (b) Do you feel you made your point adequately?
- (c) Do you feel you were heard at the meeting?

The major issue which arose for the group as a whole was that of consultative democracy. Groups had understood that the government representatives were to come to hear their views and then to consider them. It was therefore felt that the manner in which the government opened the meeting with a presentation of its position prior to hearing the groups was politically incorrect, alienating and disempowering. More specifically participants raised two issues addressing the feeling that they were "not heard" by the government.

(a) the need for government to run a democratic meeting so that people feel they were heard. The group considered it was essential that government should not preempt discussion. If the government wanted the groups to consider its proposal then they should have given time for the groups to give the proposal their consideration. Feeling that preemption disempowers, particularly the less powerful groups in the society, pointed out that the government declared the actions of its allies illegal.

(b) There was debate over whether prior consultation with different interest groups impedes or assists democratic process. Participants could not agree on this, with some people arguing that it allowed the government to preempt and thus led to undemocratic practices, while others pointed out that in the real world there is a continuous process of consultation and negotiation between interest groups, particularly more powerful interests and the government.

Simulation Exercise Analysis: Further Points of Reflection:

(1) Compensation.

A commentary was passed that the proposal that compensation should be given on the basis of land improvements was an area requiring more deliberation. In Zambia land is held as a national asset, land is not bought and sold, but land improvements are bought and sold. The valuation process, ascribing value to every ditch dug or tree planted, results in high market exchange values for "improved" land assuring that access to commercial farmlands is retained by the capital endowed elite.

(2) Alliances

It was observed that our analysis on "alliances" required rethinking, that there can be contradictions within alliances. In our earlier discussion, the seasonal workers, unemployed, and permanent workers were often grouped together as "natural allies". In fact, in our simulation exercised, this at least was not internalised- the three groups had not come as a coalition block. The facilitators noted that the participants had been unevenly distributed into roles: 3 government representatives, three bankers, four white farmers with the 20 remaining participants comprising the three groups. A comment was made that our simulation had reproduced what they had heard of in Nicaragua: ie. that the permanent farmworkers had looked after their own immediate interests to claim the land they were working on to turn it into a cooperative for themselves with little heed to the place of the seasonal workers and less heed to the plight of the landless unemployed. The issue of conflict of material interest needs to be addressed. We group permanent farmworkers, seasonal farmworkers and rural unemployed as forces for change in the countryside- but in terms of land claims and their own perceived future role we can expect the need for conflict resolution between the groups.

(3) Land Claims.

A further comment of dismay was the feeling that the transitional government in our simulation had entered into a conciliatory alliance with "capital" as represented by the banks and white farmers. This was contrasted to the transitional government's approach to declaring land seizure illegal which was seen as adopting a conflictual approach. The case of Zimbabwe was cited where during the liberation wars land seizure had been laudably looked upon as part of the resistance struggle whereas now "squatters" were physically removed as the government states that "orderly development" is required. The design of a responsive process for land claims was paramount importance.

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